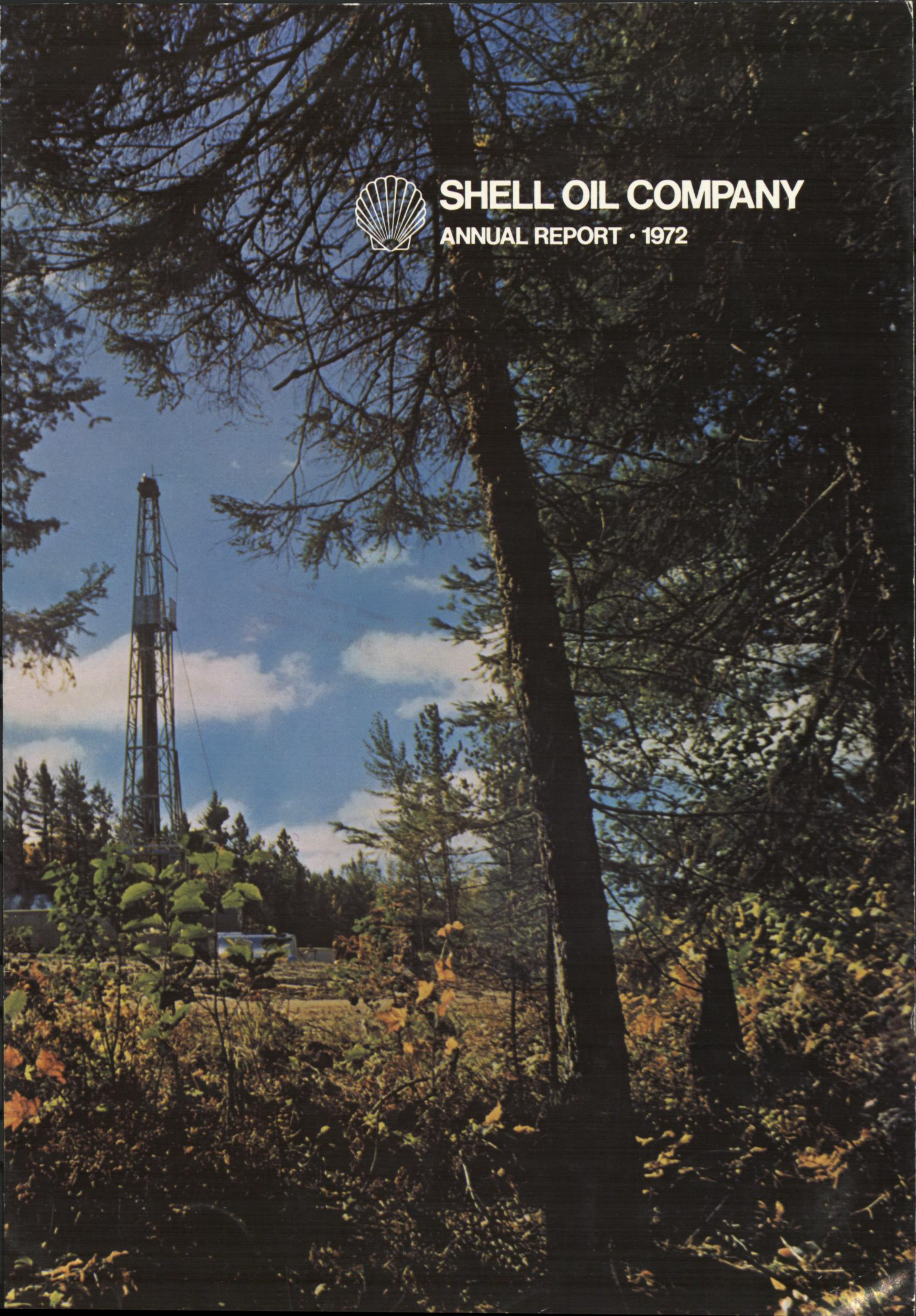
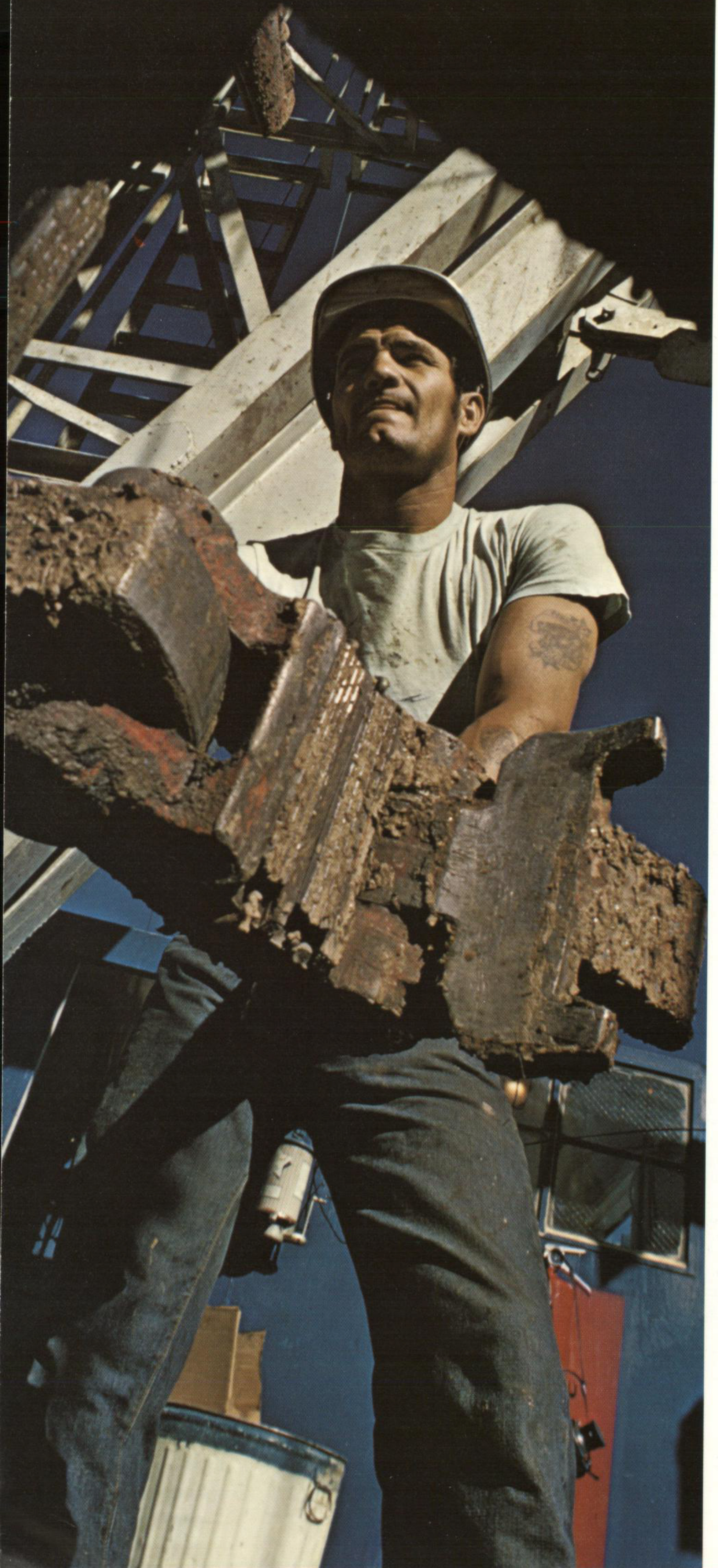
SHELL OIL COMPANY

ANNUAL REPORT · 1972





Shell Oil Company Annual Report

Year Ended December 31, 1972

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Executive Offices:

Shell Oil Company
Shell Chemical Company
Shell Development Company
One Shell Plaza, P.O. Box 2463
Houston, Texas 77001

The Annual Meeting
of shareholders will be held at the Hyatt Regency Houston (Imperial Ballroom), 1200 Louisiana Street, Houston, Texas, at 11 A.M. Thursday, April 26, 1973. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about March 13, 1973.

Two inland areas of the United States where Shell is developing new reserves of oil and gas are the northern part of the lower Michigan peninsula (front cover) and the Uinta Basin of Utah, where a member of a contract drilling crew is shown at work (left). Production, although still curtailed in both regions, totals over 13,000 barrels of oil a day.

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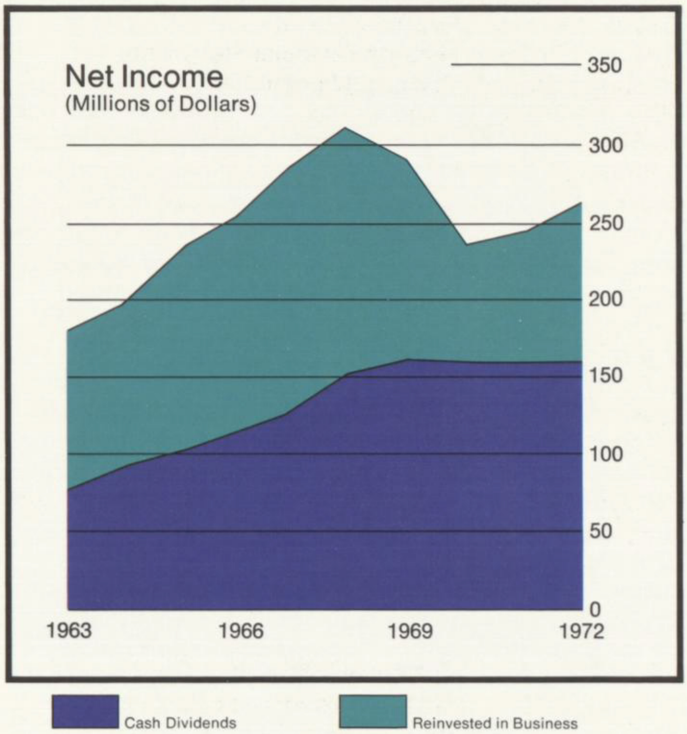
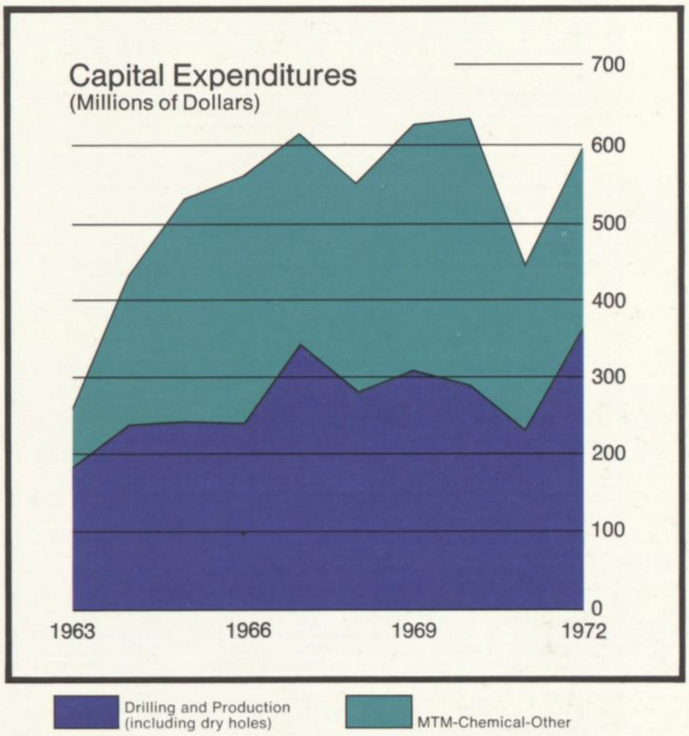
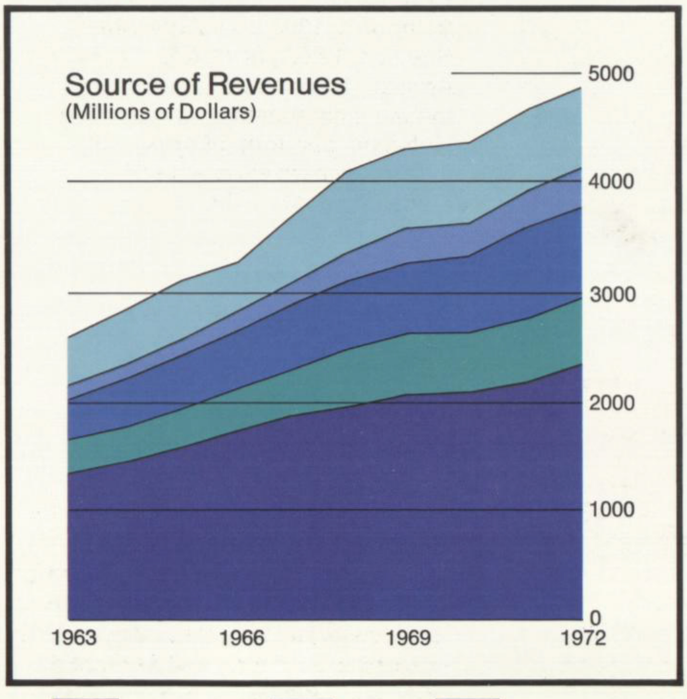
Highlights of the Year

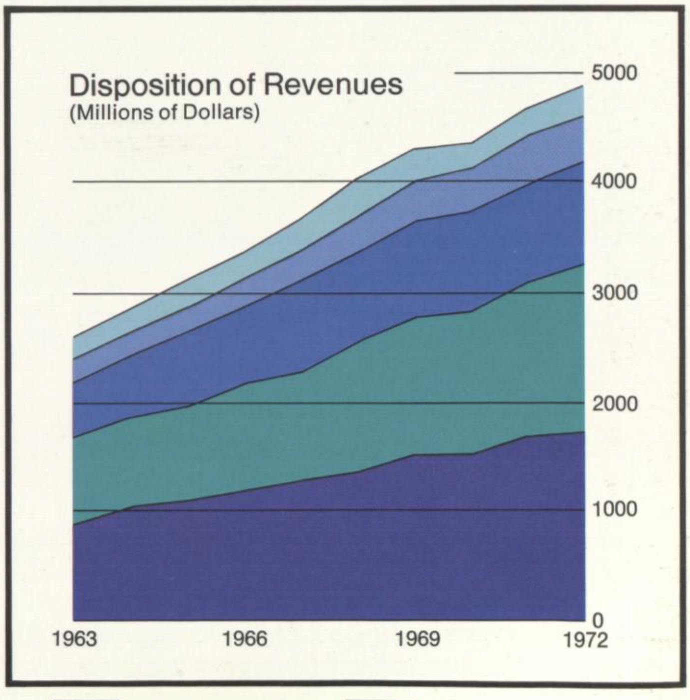
Financial	**1972**	**1971**
Revenues	$4,849,836,000	$4,623,775,000
Net Income	$ 260,480,000	$ 244,504,000
Per Share	$ 3.86	$ 3.63
Cash Dividends	$ 161,751,000	$ 161,738,000
Per Share	$ 2.40	$ 2.40
Shareholders' Investment	$2,924,968,000	$2,826,003,000
Per Share	$43.40	$41.93
Capital Expenditures	$ 590,903,000	$ 450,510,000
Total Assets	$5,171,600,000	$4,646,282,000

Operating	**1972**	**1971**
Refined Products Sold (Barrels Daily)	1,068,000	1,020,000
Refinery Processing Intakes (Barrels Daily)	1,001,000	966,000
Net Crude Oil and Natural Gas Liquids Produced (Barrels Daily)	638,000	629,000
Net Natural Gas Produced (Thousand Cubic Feet Daily)	2,460,000	2,542,000
Chemical Revenues	$650,469,000	$560,263,000


Net Income
(Millions of Dollars)


Capital Expenditures
(Millions of Dollars)


Source of Revenues
(Millions of Dollars)


Disposition of Revenues
(Millions of Dollars)

Letter to the Shareholders

1972 was a year of further improvement for Shell Oil Company. The better signs that were discernible in most segments of the business in the previous year were confirmed and strengthened as net income rose from $244.5 million to $260.5 million.

This welcome increase derived in part from the general improvement in the U.S. economy and, consequently, more favorable trading conditions. There were larger oil sales volumes, some firming of gasoline prices, particularly in the fourth quarter, and encouraging performance from the chemical business. Equally important; particularly in the long term, are the beneficial effects, now showing up in the figures, of various reorganizational steps that began with the move in 1971 of our corporate headquarters to Houston. We have also been hard at work with cost reduction programs, and while striving to promote profitable growth, have not hesitated to close down activities no longer competitively efficient.

We referred last year to the importance of organizational simplification. This year the measures for the centralization in Houston of our major research efforts were pushed a considerable stage further. The oil products marketing organization also was restructured with the aim of obtaining operational economies and quicker response to customer needs. The Company's financial results should benefit further in the years ahead as the full effect of these changes is felt. Another significant development of the year has been the extension of exploration effort in areas outside the Western Hemisphere. Although minor in relation to the present overall effort, this activity is evidence of our determination to further strengthen and diversify available sources of crude supply.

The encouraging progress that has been achieved in these ways, and the satisfaction we have derived from the public acceptance of various new Shell products—notably Super Regular gasoline— have been tempered by the increasing complexities and constraints within which we now operate. On every side, the industry is beset by controls, and by state and federal legislative changes so numerous that keeping track of them has become in itself an

Harry Bridges, President and Chief Executive Officer, and G. A. Wagner, Chairman of the Board of Directors.

February 21, 1973

arduous task. The bureaucratic and political difficulties that affect pricing decisions, and the many problems arising from complex environmental and occupational safety and health requirements, are compounded by uncertain ground rules on such vital matters to our planning as land use, offshore lease sales, tax treatment, import control policies and the like. To an increasing extent, the conduct of the business is subject to changes in public and government attitudes. While we believe we know some of the things that need to be done if the public is to be well served, taking necessary action is no longer simply a question of executive decision and the availability of funds.

For several years Company representatives have strived to increase public understanding of the energy problem that confronts the country. These efforts were intensified last year. In speeches and publications and panel sessions and press briefings, and in our support of wider industry association effort, we endeavored to spell out the implications of future energy demand in terms of needed facilities and financial consequences. In government circles, the problem is now appreciated and there is proper concern. However, the essential facts about energy that affect the life style of every American are even yet not widely enough understood. The public needs to be informed quickly—and this calls for the best efforts not only of our own industry but also of government spokesmen and of the country's thought leaders.

The difficulties we have been experiencing this winter in the supply of heating oil lend emphasis to the need for more realistic market prices and for simplification of procedures in the granting of permits for the construction of essential plant facilities. They also underline the vital importance of energy conservation measures, which if widely adopted, could help to ease the future supply situation.

Meanwhile, although our freedom of action is limited, we are doing everything we can to meet future demand. The pages that follow describe extensive exploration programs now under way; our continuing efforts to find a site and begin construction of an East Coast refinery; the measures we are taking in our refineries to reduce energy consumption; and the work going on in collaboration with the authorities in connection with the provision of deep water terminals. We have also taken steps to utilize unconventional raw materials by conducting research on methods for developing tar sands and by drilling exploratory tests on Canadian tar sand deposits. Given public and government cooperation and understanding, our conviction is that the oil and gas that people will need in years ahead can indeed be supplied. But timely decisions are needed and time is running out.

Capital expenditures amounted to $591 million, a return after the dip to $451 million in 1971 to the level of the prior two years. Over half of the money went into exploration and production, including the purchase of offshore leases. In anticipation of these capital needs a public sale of $200 million 7¼% 30-year debentures was successfully concluded in February, 1972. The level of capital expenditures in 1973 will be determined to a large extent by the number of tracts offered in offshore lease sales and our success in bidding for them, and on the progress we are able to make toward the building of an East Coast refinery.

Finally, we would like to draw attention to the section in our Report this year dealing with Shell's responsiveness to changing public expectations. We continually originate and develop policies of social responsibility, policies that neither exaggerate the role that we can realistically play, nor shirk the proper obligations that are ours, particularly in those communities where we have plants and large numbers of employees. We see these obligations partly as financial, but mainly in terms of the community responsiveness and effort we make as a Corporation possessed of much varied expertise. In addition, we have the support of the voluntary work of our many socially minded employees. For all their contributions, both inside and outside the business, we take this opportunity of expressing sincere appreciation.

G. A. Wagner
Chairman of the Board

Harry Bridges
President

Review of 1972 Operations

New environmental standards established by state and local government are requiring the expenditure of millions of dollars on equipment such as this precipitator, one of three installed in 1972 at the Martinez, California, Refinery to minimize emissions of solid matter.

Structural Changes; New Products, Services

In the MTM segment of the Company, efforts were concentrated in 1972 in two general areas. One encompassed restructuring the component organizations and changing operating methods for greater efficiency. The other consisted of extension of successful marketing programs and introduction of a number of products, including low-lead Shell Super Regular gasoline.

Available statistics indicate that Shell ranks third in domestic refinery runs and domestic refined product sales. Programs designed to meet customers' changing demands, combined with a larger-than-forecast rise in domestic consumption of gasoline, lifted the sales volume of Shell refined products to 1,068,000 barrels a day. Revenues from sales of refined products reached an all-time high of $2,308 million, largely because of the greater sales volume. Competition and the federal price control program kept prices of refined products generally about the same as in 1971. Sizable gains in Shell's retail business in the fall months pushed the sales volume of automotive gasoline, the most important product, slightly above the 1971 level. Strong demand and a more balanced supply situation helped facilitate the introduction of Shell Super Regular gasoline.

Sales volumes and prices, however, are only two factors affecting marketing results. Of equal importance are costs. Many of the new programs being extended throughout the retail system, besides satisfying the varying demands of different segments of the motoring public, will reduce marketing costs and place the Company in a better competitive position.

Changes in the Marketing Scene

The new concepts in automotive gasoline marketing which were begun on a limited scale in 1971 won increasing customer acceptance last year. These include self-serve stations, "gasoline only" outlets, and stations offering a free car wash with fill up or purchase of a minimum number of gallons of gasoline.

Experience has shown that many motorists are willing to refuel their cars themselves if able to buy gasoline at a lower price. Self-serve stations have the added virtues of lower capital and operating costs. A long-range program is under way to increase substantially the number of Shell self-serve stations.

Car washes in conjunction with the purchase of gasoline are proving to be effective business stimulants. They are of two types. Conventional stations may have car wash equipment in a service bay. Other stations consist of gasoline pump islands and a separate "tunnel" car wash building. Numbers of both types were added to the 42-state network of Shell retail service station outlets during the year.

New Products To Meet Changing Needs

Several new Shell products were introduced. The one with the biggest impact on the Company's sales and earnings performance was low-lead Shell Super Regular gasoline. It was brought to market in August as a replacement for the nonleaded low-octane Shell of the Future®. Shell Super Regular has the advantages of a higher octane rating and better performance characteristics. Sales records show that it won immediate popularity with the motoring public.

A new top-of-the-line motor oil, Shell Super X* 10W-50, was introduced in April. Its unequalled multigrade viscosity range and stability represent a technological breakthrough in automotive engine lubricants. Formulated with an additive package containing a unique proprietary ingredient, Super X 10W-50 motor oil provides engine lubrication and protection exceeding SAE standards for all types of cars in all kinds of service in all seasons.

Among a number of new Shell-branded tires and accessories, the most significant is the line of belted tires, headed by the Super Shell Steel Radial, the first of its type to be marketed by an oil company under its brand name. The tire line also includes the Shell Steel Belted and Shell Belted categories. These tires are fabricated to the highest specifications to provide superior mileage and road safety performance. Other new products include a premium type, long-life battery and a variety of specialty items.

Improvements were made in the Shell credit card program which offer customers greater flexibility in charging products, services and repairs, and widen dealers' sales and profit potential. A revolving credit plan now allows customers to budget payments for gasoline and other products. The limits on credit for service, repairs and purchases of accessories have been increased. All Shell dealers may now accept

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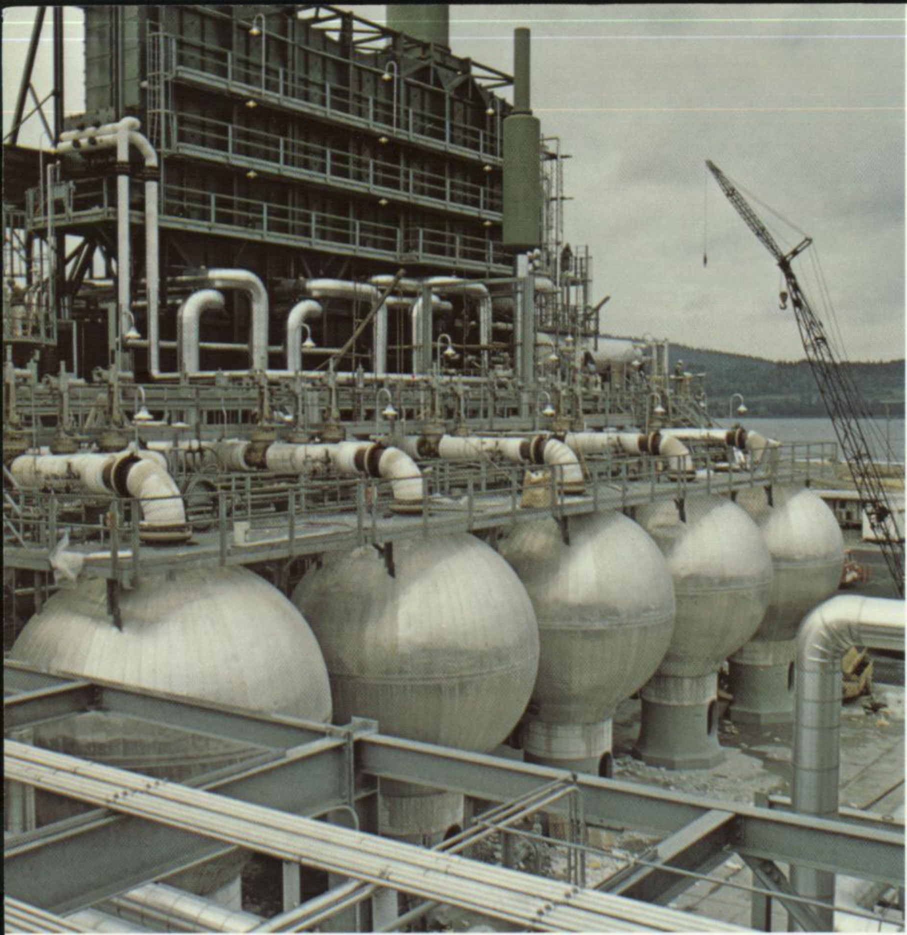
*Shell Trademark

1972 Rated Crude Distilling Capacity

Refinery	Barrels Daily
Anacortes	88,000
Ciniza	16,600
Houston	255,000
Martinez	100,000
Norco	240,000
Odessa	29,000
Wilmington	86,000
Wood River	245,000
	1,059,600



This new catalytic reformer at the Anacortes, Washington, Refinery provides more high-octane gasoline-blending components required to blend low-lead and, ultimately, no-lead gasolines.

Marketing highlights of the year included introduction of low-lead Shell Super Regular gasoline in the red pumps and Super X 10W-50 motor oil in the blue cans, and expansion of new services, such as car washes.

BankAmericard and Master Charge cards under an arrangement whereby the Company pays half the bank card credit service charge imposed on the dealer.

Restructuring the Marketing Organization For Greater Efficiency

A thorough restructuring of the Marketing Organization now under way is designed to reduce expenses and strengthen Shell's entire marketing effort. The plan gives greater responsibility and authority to the 47 retail districts, where management is closest to customers and can be most responsive to changing demands. The plan enables three regional offices to be eliminated and places the districts under the direction of two Vice Presidents Retail Sales (East and West) who will be situated in Houston. In addition, a further realignment of Head Office functions has brought the Commercial Sales Organization under the direction of a Vice President Commercial Sales. A Products and Planning department also was formed under the direction of a Vice President. The changes will be fully implemented in 1973 and are expected to result in further cost reduction.

Other Marketing Activities and Sales Results

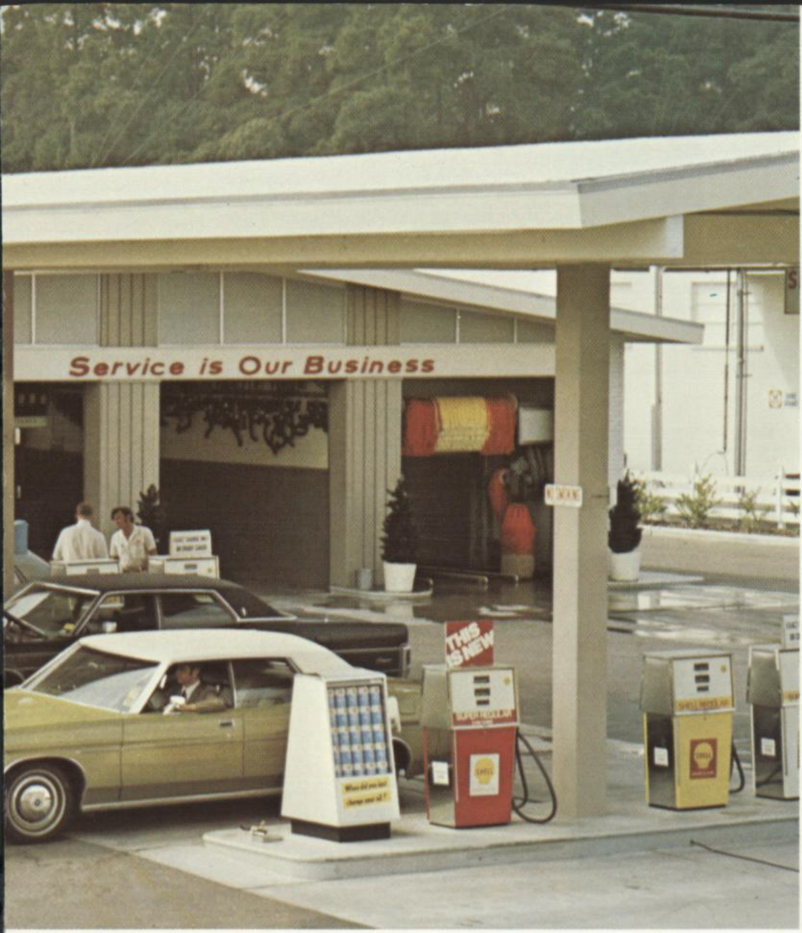
A program to modernize older Shell service stations with an attractive, new appearance is virtually complete. The program, which has generally been followed by a significant increase in sales volume, was accomplished at minimum expenditure by the use of cost-saving building materials and techniques. Almost 2,000 stations, or over 1 out of 5 leased and owned retail outlets, were included in the program.

The Commercial Sales Organization achieved worthwhile volume increases in a number of product lines. Sales to the construction industry rose substantially, particularly the volume of asphalt. The Industrial Sales Department recorded a sizable gain in sales volume. One reason was the outstanding performance of Shell's new ROTELLA® T motor oil in "mixed" truck fleets using a variety of heavy-duty gasoline and diesel engines. Shell continued to be the largest supplier of aviation fuels to the domestic commercial market. Aviation fuel sales volume exceeded the 1971 level despite two lengthy major airline strikes.

Electric power companies using natural gas as fuel are beginning to feel the effects of the stringent gas supply situation and must find alternative clean-burning fuels. This situation is expanding the market for heavy fuels.

Transportation and Supplies

Assessment of the nation's energy situation and its impact upon Shell comprised a large part of the staff work of the Planning and Economics Organization and Transportation and Supplies Organization. This included analyses of what must be done to maintain and improve Shell's position and involved numerous consultations with officials responsible for formulating and implementing



An 8,000-gallon Shell fueling truck, capable of delivering 1,000 gallons a minute, services an airliner at Chicago's O'Hare International Airport. Shell is the leading supplier of aviation fuels to the domestic commercial market.

energy policies of the U.S. Government.

The lack of deepwater terminals within the U.S. to accommodate crude oil supertankers is cause for concern in the oil industry. During the year, Shell took an active role in discussions on various proposals for U.S. coastal deep draft marine terminals.

Shell's transportation capabilities were increased by completion of Explorer Pipe Line, which is now carrying petroleum products from the Gulf Coast to Chicago. Shell has a 26-percent interest in the line, which has an ultimate capacity of 675,000 barrels a day.

Manufacturing Focus on Costs and Efficiency
Since completion in 1971 of the $500-million major refinery expansion and modernization program begun in the early 1960's, the Manufacturing Organization has concentrated its efforts on reducing costs and increasing efficiency. This has involved a continuing analysis of operating methods and the development of improvements in existing technology. The latter includes intensified efforts to reduce the Company's own energy consumption in view of the refining industry's high energy requirements and the increasing price of crude oil. The goal is to reduce energy consumption at Shell refineries by 10 percent over a period of 2 to 4 years. An industry-wide reduction on this scale would have a useful impact on the national energy situation.

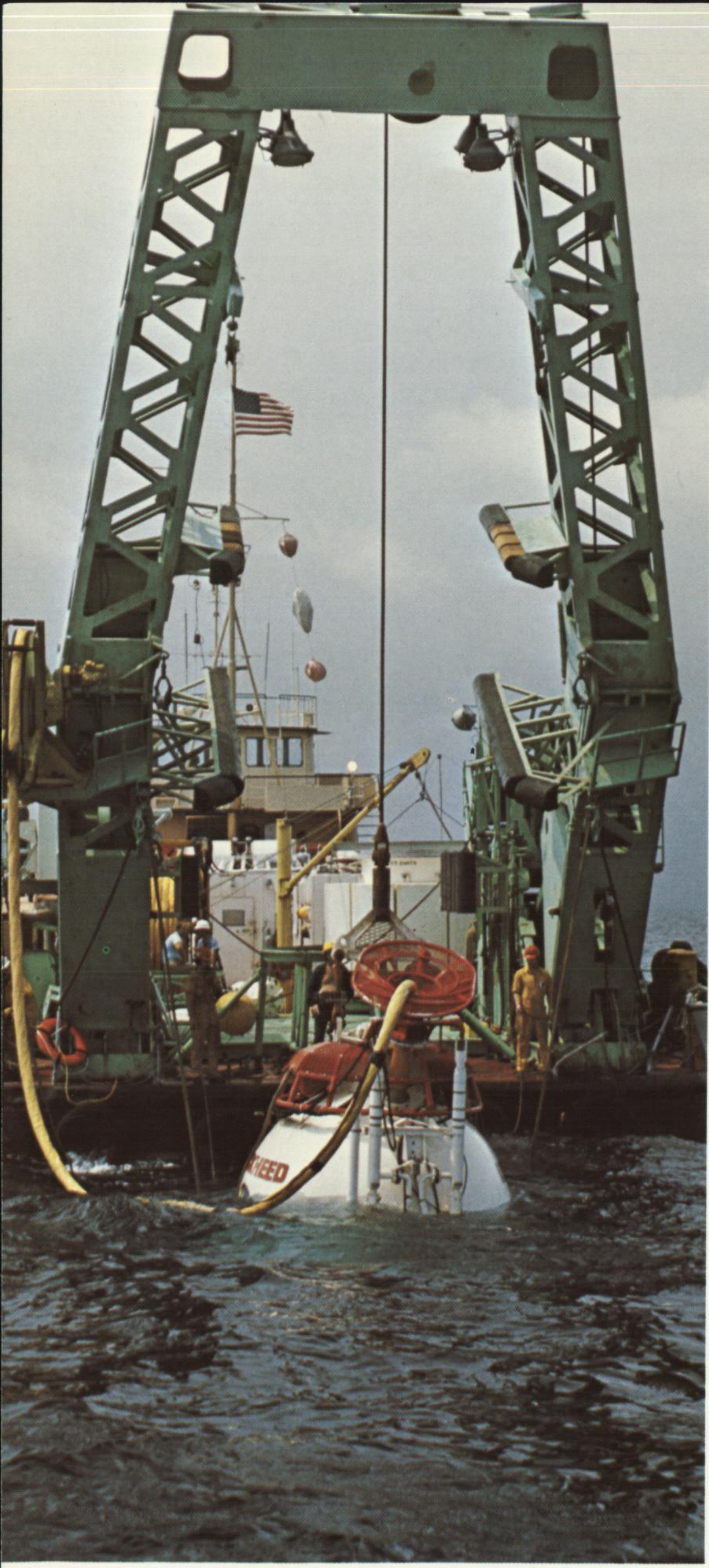
Source and Disposition of Refined Products

(Thousands of Barrels Daily)

Source	1972	1971
Net Crude Oil Produced	553	550
Net Natural Gas Liquids Produced	85	79
Crude Oil Purchased	1,032	1,007
Less: Crude Oil Sold	(646)	(646)
Crude Oil Inventory Change	(2)	(1)
Refined Products Purchased	138	150
	1,160	1,139
Disposition		
Refined Products Sold	1,068	1,020
Used in Chemical Manufactures	73	61
Product Inventory Change	(23)	14
Own Consumption, Losses, Etc.	42	44
	1,160	1,139

The major manufacturing project completed in 1972 was a catalytic reformer at the Anacortes Refinery (photo on page 6). This facility provides more high-octane gasoline-blending components required to blend low-lead and, ultimately, no-lead gasolines.

The refinery expansion program completed in 1971 places Shell in a good competitive position over the short term to meet the strong surge in demand for refined products. To stay abreast of the expected further long-range increase in demand, the Company needs additional refining capacity, which should be on the East Coast, where the nation's refinery requirements are greatest. Opportunities to obtain a refinery site in that region continue to be sought vigorously but this effort is subject to severe constraints arising from state and local government environmental regulations.



Shell is participating in development of a subsea production system designed to recover oil and gas from beneath the deeper waters of the outer continental shelves. The system allows men for the first time to carry out well completion operations in a dry, shirt-sleeve environment in a well-head chamber on the sea floor. On the left, the diving capsule, which transports men and materials between the surface of the water and the well-head chamber, is shown being lowered during the first successful installation of the chamber on a "live" well in the Gulf of Mexico in 375 feet of water. On the right, a Shell offshore maintenance foreman checks the instrument console inside the diving capsule.

Aggressive U.S. Programs; Wider Vistas Abroad

Aggressive domestic exploration and production programs were continued in 1972, along with strong emphasis on supplemental recovery methods in older reservoirs. Exploration for oil and gas in Latin America was widened and steps were taken to expand the search worldwide.

Much of the stimulus for extending the range of the Company's exploration interest comes from the rate at which domestic discovery of oil and gas is falling behind consumption, and the consequent need to develop foreign sources of supply. At the same time, even though difficulties and costs of hunting for oil and gas in the U.S. continue to mount, there are still many areas, both offshore and onshore, which may contain sizable reserves offering opportunities for profitable development. This is especially so with regard to hard-to-find targets which can be delineated only by new geophysical techniques. The Company will continue an aggressive domestic program on a selective basis.

Discoveries were made off Louisiana and in Mississippi, Michigan and Utah. Hydrocarbon shows were encountered off Nova Scotia and in the Mackenzie Delta in the Canadian Arctic. At two federal sales of leases off Louisiana, interests were obtained in 15 tracts covering 73,000 acres.

Available statistics indicate that Shell ranks third in domestic production of liquid hydrocarbons. Gross production of liquid hydrocarbons averaged 739,000 barrels a day, up 8,000 barrels a day from the 1971 rate. The increase was attributable mainly to higher allowables in Texas and Louisiana and a larger output of gas plant liquids. Gross production of natural gas averaged 2,918 million cubic feet a day, 3 percent lower than in 1971. Liquids production by state, including producing areas in the Gulf of Mexico and in Cook Inlet, Alaska, is shown in the Ten Year Review on page 32.

Net proved reserves at the end of 1972, all of which are in the United States, were estimated to be: 2.1 billion barrels of liquid hydrocarbons compared with 2.2 billion barrels a year earlier, and 7.6 trillion cubic feet of gas compared with 8.0 trillion cubic feet at the end of 1971. It is also estimated that 79 percent of these liquid hydrocarbon reserves and 83 percent of the natural gas reserves can be recovered through wells already drilled.

Domestic Exploration and Development Programs
The offshore area in the Gulf of Mexico is Shell's most important oil-producing province, accounting for about 43 percent of crude oil production in 1972. It is also the area where a major exploration effort is being made. Alaska and the Atlantic coastal shelf are also considered to have great long-range potential. Competition for the right to drill offshore is becoming much more intense.

It is hoped that the fact that the U.S. Government was able to hold sales of leases off Louisiana in September and December, which had been delayed for many months by court injunction, indicates a resolution of environmental concerns. Sales offering more acreage at frequent intervals on a firm schedule are essential to assure the orderly exploration and development of domestic reserves and their optimum contribution to the nation's energy needs.

At the September sale Shell, bidding jointly with 6 other companies, obtained a single 5,000-acre tract for a bonus payment of $6,230,000. Shell has a two-thirds interest in the tract. A wildcat exploration well which was begun shortly after the sale resulted in a hydrocarbon discovery. Following completion of a confirmation well, plans were made to install a production platform.

At the December sale Shell and its partners were successful bidders on 14 tracts for bonus payments totaling $229,747,000. The tracts cover 68,000 acres. Shell has a full interest in one tract. Interest is shared with a subsidiary of Transcontinental Gas Pipe Line Corporation in 12 tracts and with Transcontinental and a subsidiary of Consolidated Natural Gas Company in one tract. Drilling on some of the tracts has begun.

A fourth commercial hydrocarbon accumulation was found on acreage obtained in the December, 1970, federal offshore Louisiana lease sale. Meanwhile, development continued on 3 tracts obtained in the 1970 sale on which discoveries were made in 1971. Four platforms were set in place and drilling of development wells was started. By year-end, production was up to about 18,000 barrels a day from two platforms. In the Bay Marchand Block 2 field, scene of a lengthy fire in 1970-71, production was restored and is now about 6,000 barrels a day above the pre-fire level.

The first phase of a three-phase development program of a deep-water subsea production system was completed successfully last July with the installation of a permanent well-head chamber on a "live" oil well in the Gulf of Mexico in 375 feet of water, (illustrated on page 8). The chamber contains air at atmospheric pressure. This allows oil men, for the first time, to carry out the required sea floor completion operations in a dry, shirt-sleeve environment.

The second phase will be the installation of a similar chamber containing a manifold designed to control, test and then combine oil and gas produced from several subsea wells. Phase three will involve installing a chamber containing equipment designed to separate oil, water and gas and then pump them several miles. Successful completion of this joint development program with Lockheed Petroleum Services will extend the oil industry's ability to produce hydrocarbons from beneath the deeper waters of the outer continental shelves.

Onshore, exploration activities were carried on in widely scattered areas of the country and exploration and development programs were continued in Utah and Michigan.

A commercial oil discovery was made at Camp Shelby, southwest of Hattiesburg, Mississippi, in a new geologic setting. Additional drilling will be required to determine the size of the reservoir. Another discovery was made in the vicinity of the Company's deep sour gas fields near Jackson, Mississippi. The nearby Thomasville plant, which recovers sulfur from hydrocarbons, went into operation last summer, processing this sour gas.

In northern Michigan, which is developing into an important inland producing area, an active drilling program (front cover photo) was maintained. The wildcat success ratio continued at a high level as drilling on 35 seismic prospects resulted in 23 producing wells. Substantial additional acreage was acquired at reasonable cost at a state lease sale. Late in the year, a contract was awarded for construction of a plant to recover hydrocarbon liquids from the gas, and plans were announced to construct a gathering system and trunk line to connect the fields with an existing common-carrier crude oil line. Production, which has been curtailed by state allowables and transportation problems, amounted to about 5,000 barrels a day at year-end.

In the Uinta Basin in Utah, development drilling continued at a high level (photo inside front cover) and contracts were awarded for construction of a gas gathering system and a liquids extraction plant to process the gas. Crude oil production amounted to about 8,000 barrels a day at the end of the year.

A joint exploration program is being conducted with the Transcontinental Gas subsidiary in the Warrior Basin in western Alabama and eastern Mississippi. Exploration programs are also under way in the Albuquerque Basin of New Mexico, in the northern Appalachian region, in the Williston Basin in Montana and North Dakota, and in central Florida.

Left: Injecting steam is adding to oil reserves by extending the life of old fields like Mt. Poso, California. Right: The newest Shell platform off Louisiana, installed after a discovery on one of the tracts acquired in 1970.

In Alaska, environmental considerations have placed severe constraints on the oil industry. Company activities there will be at a low level until the controversy over building a pipeline is resolved and a schedule of lease sales established. A wildcat test on Shell holdings on the North Slope, to be drilled jointly with Texaco Inc., has been delayed until the pipeline issue and federal-state land disputes are resolved. Meanwhile, the Company is in a joint venture with Atlantic Richfield Company and Mobil Oil Corporation in geophysical work in the Gulf of Alaska in preparation for a sale of offshore leases, expected to be held in 1974 or 1975.

Supplemental production methods continue to present a large potential for increasing crude oil supplies by improving recovery efficiency. Those in use now account for over a fifth of Company production. Development of new techniques is being pursued diligently. It is 10 years since the start of steam injection projects and their performance continues to be improved. They now account for 43 percent of Shell's production in California. The illustration on page 10 shows one of the newest steam projects, that in the Mt. Poso field. One of the newer methods initiated recently by the Company is a miscible-drive project in West Texas using carbon dioxide and water. Methods for recovering oil from previously waterflooded reservoirs by injecting water containing chemicals are also under study.

Expanding the Scope of International Ventures

Expenditures by the International Ventures Organization amounted to approximately $50 million in 1972. Twelve wells were completed outside the United States, of which 4 encountered hydrocarbon shows which have given or may give reason for further exploratory drilling. Six wells were drilling at year-end. The major part of these expenditures went into the joint venture in Canada of Shell Explorer Limited, a Shell Oil wholly owned subsidiary, and Shell Canada Limited. Shell Canada is conducting the exploratory operations on joint interests covering about 74 million acres offshore and onshore.

After several wildcat exploratory wells encountered shows of oil and gas near Sable Island off the coast of Nova Scotia, exploratory drilling was continued in 1972. Production tests completed in April at the Primrose N-50 well, about 30 miles northeast of Sable Island, confirmed the presence of 4 zones capable of producing hydrocarbons. While the results of the tests were encouraging, this well was not capable by itself of commercial production and was plugged and abandoned. After further seismic work, a second well to explore the lateral extent of the accumulations was started in October. Vast areas off Nova Scotia covered by the joint venture interests remain essentially unexplored, and a seismic program in the deeper waters (over 600 feet) will be continued this year.

In the Mackenzie Delta, where joint venture interests cover 1.2 million acres, drilling of 2 wildcat wells began in a 2-rig drilling program. One of these wells has encountered hydrocarbon-bearing zones, the significance of which will not be known until the well has reached total depth and the zones have been tested. In addition, the joint venture is participating with Imperial Oil Limited and Gulf Oil Canada Limited in drilling a third wildcat well.

In the St. Lawrence lowlands, a wildcat drilling program started in late 1971 has encountered only noncommercial shows of gas.

Research is being accelerated toward development of economic methods of recovering crude oil from the Athabasca and Peace River tar sands. Confirmatory drilling on joint venture interests has provided encouraging information on the extent and magnitude of these deposits.

Joint ventures in Colombia, Honduras and Peru also were actively under way in 1972. Late in the year negotiations were in progress to obtain participating interests in Royal Dutch/Shell Group exploration programs in Gabon and Senegal in West Africa. Other prospective ventures in Latin America and West Africa were being evaluated and the technical and organizational groundwork was being laid to extend the search worldwide.

The venture in Honduras, entered into with a subsidiary of Standard Oil Company of California, is the first outside the U.S. in which Shell is the operator. It covers an offshore concession of 2.4 million acres in which Shell can earn a one-half interest by drilling 3 wildcat wells. Two wells have been drilled and abandoned.

Shell also entered into a joint venture in Peru with a subsidiary of Standard Oil Company (Indiana) and the Peruvian national oil company to explore about 2.5 million acres in the jungle in east central Peru. Geophysical operations were begun last July and are expected to continue through this year, pointing toward the start of wildcat drilling in 1974.

The venture in Colombia, entered into in 1971 with Continental Oil Company and the Colombian national oil company, has had two dry holes. The acreage is being maintained pending review of seismic data and completion of competitor wildcat wells in the region for new exploration leads.

A Decided Turn for the Better

Following the slight improvement that took place in 1971, the operating results of Shell Chemical took a decided turn for the better in 1972.

Much of the operating improvement was attributable to the continued emphasis on increasing efficiency and reducing costs in all phases of its business. This was augmented by the renewed vigor of the general economy and an even more rapid expansion of demand for many chemical products. As the larger year-to-year sales volumes spread through almost all product lines, total revenues rose 16 percent to an all-time high of $650 million. Although better business conditions slowed the long-term decline in prices and even permitted a few small increases, prices generally remained considerably below the levels prevailing in the early 1960's, and prospects for further price recovery appear quite limited.

Superior products and services which meet the specific needs of customers and vigorous attention to cost control are expected to yield further improvement. A continuing requirement is early recognition of conditions causing an area of business to become relatively unattractive and subject to being dispensed with, so that capital and effort can be concentrated on more rewarding areas.

To facilitate implementation of these precepts, further significant changes were made in the structure of Shell Chemical. These changes focus responsibility for growth and a satisfactory operating performance in appropriate product line organizations. The four divisions of Shell Chemical have, accordingly, established 14 business centers whose managers coordinate operations and seek to maximize potentials in their assigned product areas. These changes and ongoing studies of ways to increase the efficiency of operating methods and to enhance individual productivity have resulted in a further reduction in personnel. Since 1964 Shell Chemical's business in terms of revenues has more than doubled, but the number of employees is about the same.

Products with Expanding Markets

Growing demand for Shell's chemical products was evidenced in many areas, including olefins (ethylene, propylene and butadiene), waxes, aromatics, various solvents and chemical intermediates, resins, plastics such as polystyrene, and selected agricultural products.

Polyvinylchloride (PVC) is a rapidly growing plastic used in such fields as coatings, construction, upholstery and packaging. Shell Chemical began supplying vinyl chloride monomer (VCM), the raw material for PVC, when the first VCM unit, with a design capacity of 1,000 tons a day, began operating at the Houston plant late in 1971. To help meet the continuing rise in demand, a second 1,000-ton-a-day VCM unit is being constructed at the Norco, Louisiana, plant.

Because of continued growth in the markets for a number of industrial chemicals, such as allyl chloride and epichlorohydrin, as well as VCM, an expansion of the chlorine-caustic facilities at the Houston plant was started. It will increase Shell Chemical's output of chlorine by 50 percent.

The use of KRATON® Thermoplastic Rubbers in a wide variety of applications, particularly leisure footwear, is growing at a good rate. Transfer of all KRATON production from Torrance to the larger, more modern facilities at the Marietta, Ohio, plant is enabling Shell Chemical to supply larger volumes more efficiently. A further expansion was announced late in the year to provide for the manufacture of a second generation polymer, KRATON® G. This newest thermoplastic rubber exhibits the distinctive basic properties of this class of materials coupled with enhanced processing and durability characteristics.

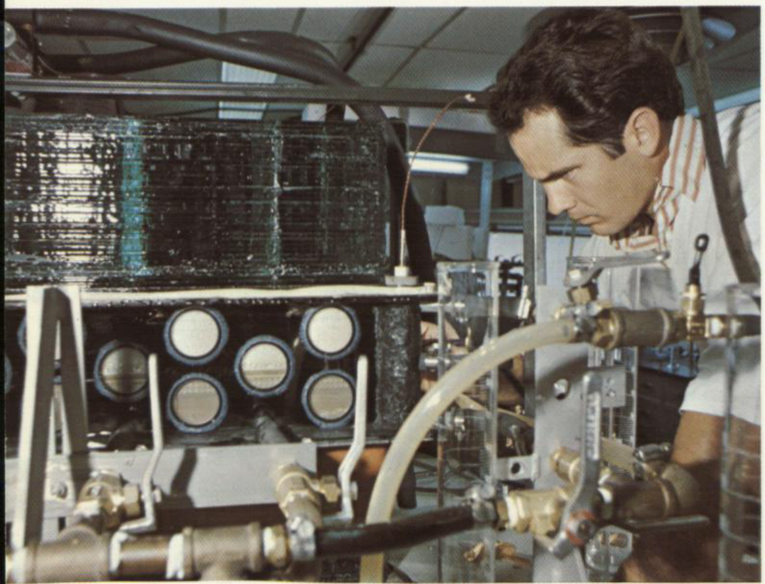
In the field of agricultural chemicals, BLADEX® Herbicide, a new product for controlling weeds in corn, experimental use of which began in 1971, was received enthusiastically by farmers in its first year of full commercial sales. Householders' satisfaction with NO-PEST® Insecticide Strips as an effective and convenient way of controlling flying insects kept sales at a high level.

Withdrawing from Unattractive Businesses

Plans announced in late 1971 to withdraw from the styrene-butadiene rubber business were implemented and operations at the Torrance, California, plant were discontinued. Shell Chemical also stopped making fertilizer products and closed the Ventura, California, and St. Helens, Oregon, plants. The Torrance and St. Helens plants have been sold. These actions were taken because obsolescent technology and the uneconomic size of the plants had placed Shell Chemical at a competitive disadvantage. In addition, West Coast supplies of natural gas, the raw material for making fertilizers, are becoming inadequate and more costly. A subsidiary engaged in the retail farm supply business in five western states is continuing to sell fertilizers made to Shell specifications.

Harvest time inspection of field corn grown at the Biological Sciences Research Center on land treated with BLADEX Herbicide, the newest Shell agricultural chemical product for enhancing the growth of farm crops.

Moves Toward Greater Effectiveness



The first phase of the planned research consolidation, designed to increase effectiveness and efficiency, was completed. Benefits will come as the closer proximity of research and business sharpens the focus of research programs and the merging of laboratories permits supporting activities to be streamlined.

People and equipment from the Emeryville, California, Research Center moved to Houston. All Shell research laboratories were placed under Shell Development administration. Except for the Biological Sciences Research Center, they are now organizational units of the Shell Research Complex, which eventually will be housed entirely in Houston. Within the Complex, close identity with business functions is ensured by providing separate research organizations for MTM, E&P and Chemical. At year-end, 1,600 persons, of whom 40 percent were professionals, were engaged in research and development. Research expenses in 1972 totaled $60 million.

Aiding the Search for New Reserves
The main emphasis in exploration research is on better methods for identifying geologic formations which may contain oil. Heretofore, geophysical techniques were generally limited to detecting the depth, distribution and inclination of potential oil-bearing subsurface formations. Now Shell research is leading to the recognition and measurement of other important rock properties. Just as research in prior years has contributed to Shell's recent success in Michigan, it is hoped that a new order of exploration ability will flow from current research. Improved geophysical capabilities, in addition to aiding in the search for structural traps, are expected to assist in the detection of stratigraphic traps, which have been difficult to detect by conventional seismic methods.

Heading research related to production are programs to extend past success in adding new reserves by improving supplemental recovery technology. They include tar sand recovery methods in support of the Canadian joint venture. Building on Shell's current thermal recovery technology, this program centers on design of efficient techniques for applying heat and producing hot tar. Development and field testing of recovery methods using miscible and chemical flooding agents are also under way. Research

Shell research ranges from (top) customer-oriented work on plastics color specifications, in this instance to match car upholstery material, to (bottom) use of a laboratory model of Canada's Peace River tar sands to aid in developing a method of extracting oil from the deep deposits.

on drilling and producing methods for deeper water and hostile environments is also important. In addition to the subsea system described on page 9, work is proceeding on development of structures and techniques for use in arctic ice and permafrost, design requirements for offshore structures, and materials for deep sour gas discoveries. Research to develop practical methods for obtaining hydrocarbons from oil shales and coal continues.

Research Leading to New Products and Processes
SUPER X 10W-50 motor oil is an achievement of Shell research and an example of the benefits of close contact among laboratories serving different business functions. It is a fallout of research begun for an entirely unrelated purpose and its development benefited from work at four Shell laboratories.

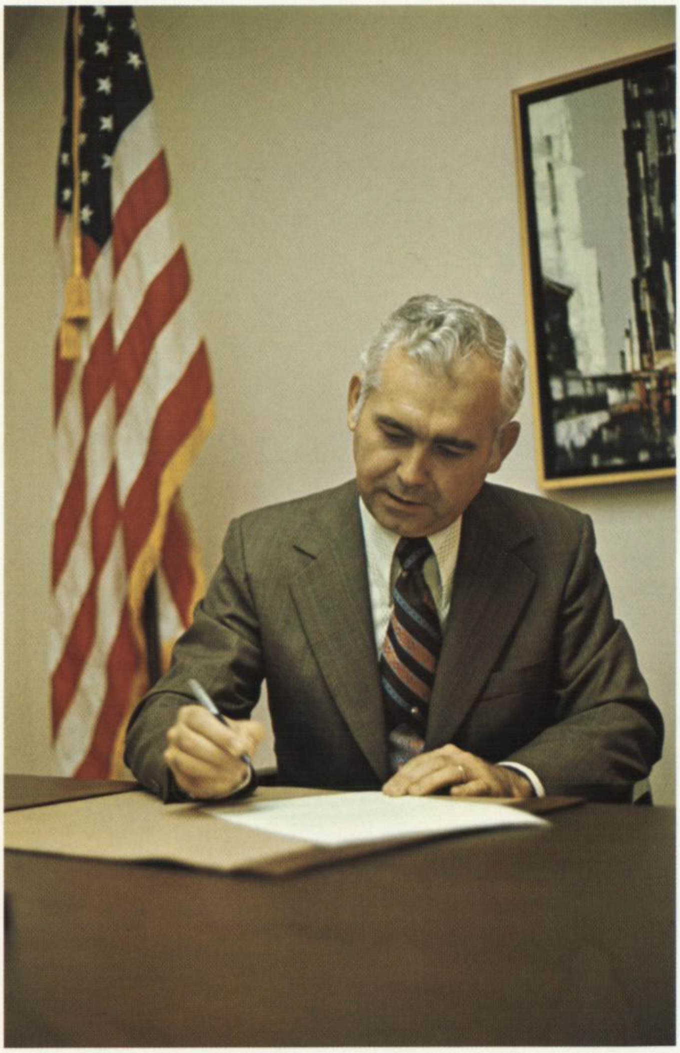
Studies for the MTM Organization are under way arising from the need to alter gasoline composition as automobile manufacturers change car engines to meet air pollution standards. Some engine modification has already been made and the new Super Regular gasoline is an example of Company response. Other refinery technology research is related to pollution abatement, greater efficiency in the consumption of energy and automatic control of process units.

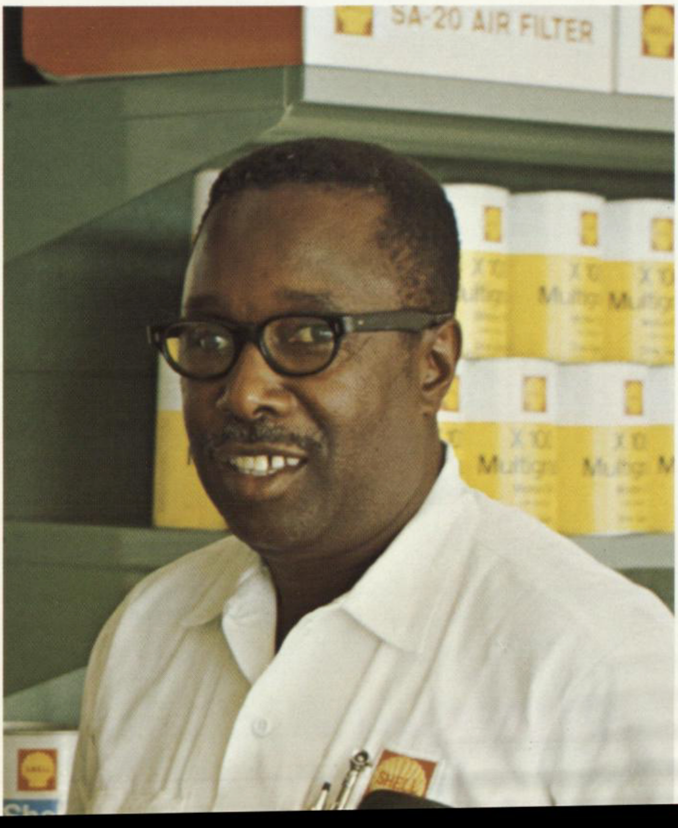
A promising stage has been reached in development of a process for making raw materials more economically for a family of improved biodegradable detergents which will also have the advantage of requiring less phosphates. The results of research in thermoplastic elastomers leading toward improvements in this class of products have resulted in the commercialization of KRATON G. Agricultural chemicals research programs are seeking to develop additions to the range of products which promote the growth of crops through control of insects and weeds, enhance animal health and serve consumer needs.

Programs to Protect the Environment
Research is in progress on further improvement in stack gas cleanup, oil spill prevention and cleanup, waste disposal and more complete and efficient incineration.

A specific accomplishment in this area is the Shell Claus Off-gas Treating (SCOT) process which improves the removal of residual sulfur compounds from the tail gases of sulfur recovery units of the Claus type. The process is being offered for licensing to others. It was derived from Royal Dutch/Shell Group research under an arrangement between Shell Oil Company and a subsidiary of Shell Petroleum N.V. whereby each performs for, and exchanges with the other, research activities related to petroleum technology, chemicals and other fields.

Projects related to environmental protection have high priority in Shell research. This photo shows material undergoing an adsorbency test in the development of a new device for stripping oil from water.




SA-20 AIR FILTER

Shell's Response to Public Expectations

Other sections of this report deal mainly with the operation of our facilities, with the progress of product sales, and the financial results of these activities. This performance depends essentially on the actions and attitudes of various groups of people and on our response to their expectations. Shell's 33,000 employees, 20,000 independent service station dealers and their employees, 33,000 shareholders, millions of customers—and the public in general—all have a daily impact on Company affairs. Awareness of this is vital to Shell's ability to conduct the business in a way compatible with the public interest and changing values of society. This section discusses some public expectations and the ways the Company is responding.

Employee Relationships

Responsiveness to the public interest begins at home in relations with employees. Traditional aspects of employee relations, such as pay, working conditions, security and benefit programs, receive continuing management attention. Emerging public issues and changing public attitudes have added new dimensions to employee relationships in the areas of productivity and job satisfaction, equal opportunity for advancement and occupational safety and health.

Productivity and Job Satisfaction

The growing expectation of employees for more meaningful work has led many observers of the social-business scene to regard the ability to provide satisfying, challenging work as a key issue in productive corporate performance. Management devoted increasing attention to this aspect of employee relations last year through efforts to give individuals more responsibility for their own work and more challenging assignments. For instance, more employees have participated in team assignments leading to the realignment of organizations to achieve more effective performance. Self-development is encouraged through a variety of in-company training programs and an educational reimbursement program which provides financial assistance to employees who, on their own time, take approved courses which benefit them and the Company.

These photographs illustrate Shell's corporate sensitivity and response to public expectations. Left: Rapid, personal handling of customer inquiries and complaints through "Actionline," the nationwide, toll-free telephone service which is tied into electronic data equipment at the Shell Credit Card Center. Top right: Support of employee participation in local civic affairs—Gene Smith, superintendent-operations at the Houston Refinery, is mayor of his home town of Nassau Bay. Bottom right: Widening the economic opportunities for persons in minority groups in society through ongoing efforts such as the Marketing Organization's special program to recruit and train minority dealers, of whom Shell now has over 1,000.

Equal Opportunity

The national policy of equal opportunity for members of minority groups, and for women, has added new points of emphasis to employee relations. Our objective has been, and is, to achieve a Shell work force reasonably representative, in terms of both numbers and skill levels, of the working population in the nation. The percentage of members of minority groups among our employees has risen steadily and by the end of 1972 the proportion of minority group employees was about 10 percent—twice what it was in 1967. Progress, however, has been slower than hoped for in attaining proportionate representation of minority personnel and women in supervisory, managerial and professional positions. This goal continues to be pursued diligently.

Occupational Safety and Health

Safety has always been stressed as an integral part of operating and managing procedures, and over the years Shell's safety record has been better than that of industry generally. Employee safety has, however, acquired a new dimension for industry because of the Occupational Safety and Health Act of 1970. All Shell managements have reexamined their existing safety organizations, facilities and procedures to ensure compliance with the many complex requirements arising out of this act. Steps were also taken to provide better companywide coordination in safety matters. An Occupational Safety and Health Department was formed, staffed with industrial hygienists and safety specialists, and the position of Corporate Medical Director was established. These two functions were brought together organizationally with the Environmental Conservation Department to provide professional assistance to managers in anticipating and dealing with the effects of technology on people and their environment.

Environmental Conservation

The rising national and local concern over the environment was reflected in further action to ensure that Shell operations are in compliance with government standards. Although environmental conservation has long been a basic responsibility of management at all levels, it has become a fulltime responsibility for a growing number of persons in recent years. Expenditures have also increased substantially. After averaging $50 million annually for several years, they reached $70 million in 1972, calculated on a unified petroleum industry formula which includes capital expenditures and expenses for operation and maintenance, research, and administration. Examples of action in this area in 1972 follow.

Exploration and Production initiated a number of projects for waste water disposal, for removal of sulfur dioxide from produced gas and stack emissions, for sump elimination and other purposes. One of the larger projects was the removal of sumps and installation of water disposal facilities at the Mt. Poso field in California, primarily to protect wildlife. Another large project now under way is the removal of sumps and production equipment and the consolidation of tanks in the Signal Hill field to make the land available for alternate uses.

In Manufacturing, three electrostatic precipitators were installed on the catalytic cracking unit to further reduce particulate emissions at the Martinez Refinery. A biological system for more effective treatment of effluent wastes was also completed at Martinez, as were facilities to improve effluent treatment at the Wilmington Refinery and to neutralize alkaline waste at the Norco Refinery.

The design of the new vinyl chloride monomer unit at the Norco Chemical Plant incorporated special facilities for the treatment of aqueous effluent and the emergency handling of chlorine.

A corporate team finished an 18-month nationwide survey of Shell manufacturing, pipeline and marketing plants with emphasis on oil spill prevention and contingency plans. As a result, oil spill potential was reduced and vapor losses were minimized at 88 installations. Similar action is being taken or planned at about 100 other facilities.

To help broaden public understanding of the problem of air pollution, a new motion picture, "Air Is For Breathing," has been added to the Shell library of free films. The film examines the complexities of air pollution, demonstrates the technical progress being made, and stresses that industry, government and the public must cooperate in the solution. It has already been seen by more than 650,000 persons, including many government officials involved with environmental matters.

Consumer Relations

1972 saw a continuation of the trend of rising consumer expectations concerning the performance of business in the marketplace. The complexities of attracting, serving and retaining the millions of Shell customers have been increased by changing public attitudes concerning quality of products and service, informative and truthful advertising, fair prices and satisfactory responses to inquiries or complaints. The Company's response has included new procedures for quicker and more satisfactory resolution of customer complaints, refinement of the "Actionline" nationwide toll-free telephone service for Shell Credit Card customers, additional features of the Shell Credit Card program, introduction of new and improved Shell-branded products and expansion of innovative marketing programs.

Minority Economic Development

In addition to equal employment opportunity, members of minority groups expect to share in other economic opportunities in the private business system. Management recognizes that Shell's prosperity is

A placid marsh scene in the Black Bayou, Louisiana, field is illustrative of Shell's emphasis on conducting operations in compatibility with the surrounding environment. Shell has been producing oil from the field for over 40 years.

intertwined with the economic health and stability of society, which in turn requires full participation by minority segments of the population. Within its normal business operations, Shell takes opportunities available to it toward the attainment of this social objective.

An area on which efforts are focused is that of service station dealerships. As with the Company's own work force, our objective is a proportional minority representation among dealers. This goal is being pursued through a special minority dealer recruitment and development program. As a result the number of minority Shell dealers has increased substantially in recent years. Currently they operate over 1,000 of Shell's 9,900 leased and owned stations.

A companywide minority vendor program was put into effect in 1972 following a year's successful experience with a pilot program in Houston. This program is designed to help minority businesses compete for a larger share of the materials and services the Company buys and thus assist in the stimulation of the economic development in this sector of society.

The program of making deposits in banks owned and operated by minority businessmen was expanded. The Company also participated in organizing and funding under the aegis of the U.S. Department of Commerce a MESBIC (Minority Enterprise Small Business Investment Company) in New Orleans. Both of these programs are designed to make capital more available on a sound basis for minority-controlled enterprises.

Community Relations

For many years the public has expected companies to accept a responsibility to help improve the social and economic prospects of the communities in which they have sizable facilities and a significant number of employees. Many of the foregoing activities and programs help fulfill this responsibility. The Company also continued in other ways to take a corporate role in community affairs and to encourage employees to become involved. Action was taken to provide a stimulus for employees to volunteer their time and talents in nationwide programs keyed to local community improvement. These include, for example, VITA (Volunteers for International Technical Assistance), the Urban League and various women's organizations. The large number of employees who have responded has been gratifying. Company assistance to support participation of employees throughout the country in local government affairs and civic programs has taken many forms.

Corporate Philanthropy

A long-standing expectation of educational, social and cultural institutions is support by corporations. At Shell this consists essentially of donations to the Shell Companies Foundation, Incorporated, a not-for-profit corporation established in 1953. Since then the Foundation has made contributions totaling $31.5 million, including $2.1 million in 1972. Its main interests are education and community funds, which provide sound planning and budgeting in support of local agencies, many of which have long worked at activities now identified as urban problems. The Foundation has also contributed to hospital capital campaigns and to national organizations in such fields as health, economics, family service, religion and the arts. Donations are made through planned programs which permit continuity of support as well as flexibility with respect to changing opportunities, such as those related to protection of the environment and education of the disadvantaged.

Company personnel and selected college professors meet periodically at "faculty forums" sponsored by Shell for the purpose of increasing mutual understanding and gaining support for policies vital to a healthy domestic oil industry.

Members of the Board, besides Messrs. Wagner and Bridges, pictured on page 2, are: (left) J. B. St. Clair, William P. Gwinn, S. M. McAshan, Jr., and Harold F. McGuire; (above) Charles de Bretteville, Monroe E. Spaght, J. E. Wallace Sterling, and R. M. Hart; and (below) F. S. McFadzean, William Blackie and J. F. Redmond.

Executive Changes

G. A. Wagner, President of the Royal Dutch Petroleum Company and a Director of Shell Oil Company since July 1, 1971, was elected Chairman of the Board, succeeding Sir David Barran, who resigned.

F. S. McFadzean, chairman of The "Shell" Transport and Trading Company Limited, was elected a Director.

E. Chester Peet resigned as a Director under the Company's mandatory retirement policy for directors at age 70. He had been on the Board for 18 years, and his resignation marked the completion of a distinguished Shell career of 53 years.

D. R. Milton, General Manager-Tax, was elected Vice President in charge of the Tax Organization, which was established as a separate entity.

In the restructuring of the Marketing Organization, W. J. Bittles, Vice President in charge of the Central Marketing Region, became Vice President in charge of Retail Sales-West and E. F. McGee, Vice President in charge of the Western Marketing Region, became Vice President in charge of Retail Sales-East. E. F. Loveland, Vice President and General Manager Marketing Economics and Distribution, became Vice President in charge of Commercial Sales. J. B. Henderson, Vice President, Shell Chemical Company, was named Vice President and General Manager of the newly created Products and Planning Group.

In Exploration and Production, in a senior management exchange aimed at broadening experience and capabilities of E&P management, G. C. Bankston, Vice President in charge of the Western E&P Region, and R. L. Ferris, Vice President in charge of Production, exchanged positions. J. E. Wilson, Vice President, retired after a Shell career of 35 years.

S. A. Ballard, who had been on assignment with a Royal Dutch/Shell Group Company overseas for 3 years, rejoined Shell Development Company and was elected a Vice President.

J. P. Cunningham, Vice President of Shell Chemical Company since 1965, retired after 35 years of service.

R. C. Thompson, Treasurer, was elected Controller, succeeding R. H. Richards, who retired after 26 years of service. V. G. Whittington, Manager Industrial Relations, was elected Treasurer.

Directors and Officers

BOARD OF DIRECTORS

G. A. WAGNER
Chairman
President, Royal Dutch Petroleum Company

H. BRIDGES*
President and Chief Executive Officer

WILLIAM BLACKIE
Retired Chairman of the Board,
Caterpillar Tractor Co.

CHARLES de BRETTEVILLE
Chairman of the Board and Chief Executive Officer,
The Bank of California National Association

WILLIAM P. GWINN
A Director,
United Aircraft Corporation

R. M. HART*
Executive Vice President

S. M. McASHAN, Jr.
Chairman of the Board, Anderson, Clayton & Co.

F. S. McFADZEAN
Chairman of the Board, The "Shell" Transport
and Trading Company, Limited

HAROLD F. McGUIRE*
Partner, Wickes, Riddell, Bloomer, Jacobi & McGuire

J. F. REDMOND*
Executive Vice President

MONROE E. SPAGHT
A Director, Royal Dutch Petroleum Company

J. B. ST. CLAIR*
Executive Vice President
President, Shell Chemical Company

J. E. WALLACE STERLING
Chancellor, Stanford University

*Member of the Executive Committee

OFFICERS

GENERAL EXECUTIVE

H. BRIDGES
President and Chief Executive Officer

R. M. HART
Executive Vice President

J. F. REDMOND
Executive Vice President

J. B. ST. CLAIR
Executive Vice President

VICE PRESIDENTS

Exploration and Production

G. C. BANKSTON
Production

G. A. BURTON
International Ventures

R. H. NANZ
Exploration

E&P Regions
C. L. BLACKBURN
Southern

R. L. FERRIS
Western

Manufacturing, Transportation and Supplies and Marketing

J. W. SHEEHAN
Manufacturing and MTM Research

S. G. STILES
Transportation and Supplies

F. H. STAUB
Marketing

W. J. BITTLES, Jr.
Retail Sales—West

E. F. McGEE
Retail Sales—East

J. B. HENDERSON
Products and Planning-Marketing

E. F. LOVELAND
Commercial Sales

C. L. TOWERS

Employee Relations
A. C. HOGGE

Financial
G. S. WOLBERT, Jr.

Legal
O. L. STONE

Planning and Economics
K. DOIG

Public Affairs
H. E. WALKER
J. C. PERKINS
Washington Office

Purchasing and General Services
R. J. BAUER

Tax
D. R. MILTON

SHELL CHEMICAL COMPANY

a Division of Shell Oil Company

J. B. ST. CLAIR
President
J. W. ELGER
Vice President

SHELL DEVELOPMENT COMPANY

a Division of Shell Oil Company

T. BARON
President

S. A. BALLARD
Vice President

J. D. HELDMAN
Vice President

M. N. PAPADOPOULOS
Vice President

G. F. PIRSIG
Vice President

R. C. THOMPSON
Controller

W. W. WESTERFIELD, Jr.
Secretary

V. G. WHITTINGTON
Treasurer

Accounting Policies

This summary of the major accounting policies of Shell Oil Company and its consolidated subsidiaries (hereinafter referred to as "Shell") is presented to assist the reader in evaluating Shell's financial statements and other data contained in this report. In all material respects, Shell has consistently followed these policies for the ten year period covered by this annual report and originally reported net income has not been revised or restated.

Principles of Consolidation
The financial statements include the accounts of Shell Oil Company (hereinafter called "Company") and all of its wholly owned subsidiaries. All companies acquired have consistently been accounted for as purchases; goodwill, if any, is amortized over a period of benefit which has not exceeded ten years.

The only subsidiary of Shell not wholly owned is Butte Pipe Line Company (51% owned), and the investment therein, plus the investments in less than majority owned companies in which Shell has a voting stock interest of 20% or more, are carried at equity in underlying net assets. Investments in less than 20% owned companies are carried at cost with dividends recorded in income as received.

Short Term Securities
Short term securities are carried at cost which approximates market. Interest is accrued and reflected in dividends, interest and other income.

Inventories
Inventories of oils and chemicals are carried at the lower of market or of the average cost resulting from charging to costs the highest of inventory carrying value, current cost of production or purchases. Materials and supplies inventories are carried at average cost or less.

Mineral Leasehold Costs
Direct cost of acquiring undeveloped acreage, generally called lease bonus, is capitalized. Amortization from date of acquisition is based upon experience of the Company in order to fully amortize over the holding period those leases that may be unproductive. The cost of leases which become productive is transferred to a producing property account.

Exploratory Costs
Exploratory expenses, including geological and geophysical expenses, annual delay rentals on oil and gas leases and all exploratory and development dry hole costs are charged to income as incurred.

Research
Expenditures for research, except for land, buildings and standard items of equipment which extend beyond the immediate life of a project, are expensed when incurred.

Depreciation, Depletion and Amortization
Depreciation, depletion and amortization of the capital cost of producing properties, both tangible and intangible, are provided for on a unit of production basis. Developed reserves are used in computing unit rates for tangible and intangible development costs and proved reserves for depletion of leasehold costs. In all cases the unit determination is by field. Other plant and equipment are depreciated on a straight line basis over their estimated useful lives. On a cycle basis asset lives are reviewed for propriety of estimated useful life. Changes in depreciation rates, if any, are prospective only. Differing rates or deductions are used for tax purposes.

Maintenance, Repairs and Retirement of Properties
Major renewals and betterments are charged to the property accounts while minor replacements, maintenance and repairs which do not improve or extend life are expensed currently. At the time properties are retired or otherwise disposed of in the normal course of business, the cost is charged against the accumulated provision; however, if the retirement relates to a casualty, the loss or gain is reflected in current income.

Office Relocation, Employee Relocation and Severance Costs
The cost directly related to relocating operating and executive offices from New York is being amortized over a four year period commencing October 1, 1969. The total estimated cost associated with consolidating research facilities is being amortized over a four year period commencing January 1, 1972. All other office relocation, employee relocation or severance costs are charged to expense when incurred.

Non-Mineral Leases
Obligations under noncancellable leases and other contractual commitments are reflected in the Notes to Financial Statements.

Income Taxes
Items of income or income deductions are often recognized for payment of income taxes and for book purposes in different time periods; however, tax allocation accounting as prescribed by Accounting Principles Board Opinion No. 11 adjusts book income to eliminate the effect of all material book/tax timing differences.

For those differences pertaining to capital extinguishments, including intangible development expenditures deducted currently for tax purposes, tax deferment is computed by applying the current tax rates to the current difference in deduction. The net cumulative effect is reflected in Deferred Credits—Federal Income Taxes in the Statement of Financial Condition.

For other timing differences tax deferment is computed by setting up initial differences at current tax rates and reversing these amounts in the appropriate subsequent period. The net cumulative effect of the latter is reflected in Receivables, Prepayments, Etc. in the Statement of Financial Condition.

Investment tax credits are applied to reduce federal income taxes in the year realized.

Statement of Income and Retained Earnings

Revenues	**YEAR 1972**	**YEAR 1971**
Sales and other operating revenue (including consumer excise and sales taxes)	$4,817,468,000	$4,591,238,000
Dividends, interest and other income	32,368,000	32,537,000
	4,849,836,000	4,623,775,000
Costs and Expenses		
Purchased raw materials and manufactured products	1,693,295,000	1,642,414,000
Costs and operating expenses	989,685,000	929,378,000
Selling, general and administrative expenses	489,788,000	460,392,000
Income, operating and consumer taxes:		
Consumer excise and sales taxes	741,570,000	698,865,000
Operating taxes	136,212,000	128,097,000
Federal and other income taxes	82,578,000	61,604,000
Depreciation, depletion, amortization and retirements, including dry holes	396,805,000	410,535,000
Interest and discount amortization on indebtedness	59,423,000	47,986,000
	4,589,356,000	4,379,271,000
Net Income	260,480,000	244,504,000
1972—$3.86 and 1971—$3.63 per share based on weighted average shares outstanding of 67,396,610 and 67,390,954 respectively.		
Retained Earnings at Beginning of Year	2,018,072,000	1,935,306,000
	2,278,552,000	2,179,810,000
Cash dividends paid: $2.40 per share	161,751,000	161,738,000
Retained Earnings at End of Year	$2,116,801,000	$2,018,072,000

The notes on pages 26, 27, 28 and 29 are an integral part of these statements.

Statement of Financial Condition

ASSETS	**DECEMBER 31, 1972**	**DECEMBER 31, 1971**
Current Assets		
Cash	$ 25,928,000	$ 32,709,000
Short term securities	356,384,000	157,026,000
Receivables, prepayments, etc. less 1972—$22,252,000 and 1971—$16,513,000 allowance for doubtful accounts	849,084,000	665,784,000
Owing by affiliated companies	9,507,000	3,210,000
Inventories of oils and chemicals	316,948,000	328,669,000
Inventories of materials and supplies	38,244,000	47,016,000
Total Current Assets	1,596,095,000	1,234,414,000
Investments and Long Term Receivables	84,073,000	85,710,000
Properties, Plant and Equipment	3,438,870,000	3,272,214,000
Deferred Charges	52,562,000	53,944,000
	$5,171,600,000	$4,646,282,000

LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Accounts payable—trade	$ 357,094,000	$ 341,702,000
Other payables and accruals	326,731,000	119,164,000
Income, operating and consumer taxes	210,798,000	193,540,000
Owing to affiliated companies	20,449,000	37,416,000
Long term debt due within one year	13,099,000	10,114,000
Total Current Liabilities	928,171,000	701,936,000
Long Term Debt Less Unamortized Discount 1972—$812,000 and 1971—$892,000	1,025,569,000	836,783,000
Deferred Credits—Federal Income Taxes	292,892,000	281,560,000
Shareholders' Investment		
Common stock, authorized 80,000,000 shares at $1.00 par value, issued 1972—67,553,618 and 1971—67,547,618 shares at stated value	234,130,000	234,124,000
Amount in excess of common stock stated value	583,111,000	582,881,000
Retained earnings	2,116,801,000	2,018,072,000
	2,934,042,000	2,835,077,000
Less 154,680 shares of common stock held in treasury at cost	9,074,000	9,074,000
Total Shareholders' Investment	2,924,968,000	2,826,003,000
	$5,171,600,000	$4,646,282,000

The notes on pages 26, 27, 28 and 29 are an integral part of these statements.

Statement Of Changes In Financial Position

Source of Funds	YEAR 1972	YEAR 1971
Net income	$260,480,000	$244,504,000
Depreciation, depletion, amortization and retirements	345,759,000	355,885,000
Dry hole costs (included in capital expenditures)	51,046,000	54,650,000
Deferred credits—federal income taxes (related to write-offs)	11,332,000	7,145,000
TOTAL PROVIDED FROM OPERATIONS	668,617,000	662,184,000
Increase in long term debt	214,000,000	25,970,000
Decrease in investments, long term receivables and deferred charges	3,019,000	—
Property sales, salvage, etc. (net)	27,442,000	24,456,000
Issuance or sale of Company shares	236,000	262,000
TOTAL	$913,314,000	$712,872,000

Disposition of Funds		
Capital expenditures including dry hole costs	$590,903,000	$450,510,000
Dividends paid	161,751,000	161,738,000
Decrease in long term debt	25,214,000	24,975,000
Increase in investments, long term receivables and deferred charges	—	20,167,000
	777,868,000	657,390,000
Increase (decrease) in working capital:		
Cash and short term securities	192,577,000	(43,414,000)
Receivables and prepayments	189,597,000	30,445,000
Inventories	(20,493,000)	14,764,000
	361,681,000	1,795,000
Payables and accruals	(205,992,000)	10,336,000
Income, operating and consumer tax liabilities	(17,258,000)	11,957,000
Long term debt due within one year	(2,985,000)	31,394,000
	135,446,000	55,482,000
TOTAL	$913,314,000	$712,872,000

The notes on pages 26, 27, 28 and 29 are an integral part of these statements.

Notes to Financial Statements

1. ACCOUNTING POLICIES

Certain information relative to accounting policies is presented on page 22 of this report.

2. GENERAL

The Company decided to withdraw from the styrene-butadiene rubber business and close its Torrance, California plant and to stop manufacturing fertilizers and close such plants at Ventura, California and St. Helens, Oregon, because of unfavorable economic factors. Charges to costs and operating expenses of $11,700,000 and to property retirements of $8,700,000 to cover the estimated loss incidental to the shut down and disposal of these facilities, less estimated income tax effect of $10,400,000, reduced 1972 net income $10,000,000.

Shell continued in 1972 to have transactions, including the purchase, sale and transportation of crude oil, petroleum and chemical products in the ordinary course of business, with subsidiaries of Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, parent companies of Shell Oil Company.

The equity in net assets of consolidated subsidiaries was less than the investment of the Company by $48,547,000 at December 31, 1972, and $6,434,000 at December 31, 1971. Such deficit has been reflected in Retained Earnings in the Statement of Financial Condition.

3. OPERATING AND INCOME TAXES

	Year	
	1972	1971
Operating Taxes:		
Real and personal property	$ 56,661,000	$ 53,308,000
Oil and gas production	33,117,000	33,506,000
Social security	17,115,000	15,134,000
Other	29,319,000	26,149,000
	$136,212,000	$128,097,000
Federal And Other Income Taxes:		
Current*	$ 81,766,000	$ 47,571,000
Deferred	812,000	14,033,000
	$ 82,578,000	$ 61,604,000

*After deducting investment tax credits of $17,600,000 in 1972 and $18,736,000 in 1971.

4. PENSION PLANS AND PROVIDENT FUND

The Shell Pension Plan covers the regular full-time employees of the Company and its principal subsidiary, Shell Pipe Line Corporation. The sums regularly contributed to the Shell Pension Plan and charged against income by the participating companies under the Plan are calculated as a percentage of the payrolls and are determined each year by the boards of directors of the participating companies on a basis which gives due consideration to accepted actuarial principles.

The unfunded Supplemental Pension Plan has been provided to equate approximately the pension benefits of Senior Staff (consisting of certain officers and other high-ranking employees), required in ordinary course to retire at age 60, to the amounts they would have received had they been permitted to continue to work at final salary rates to the normal retirement age of 65 under the Shell Pension Plan.

The Shell Provident Fund is open to regular full-time employees of the Company and its principal subsidiary after stated periods of service. An employee may elect to have a permissible percentage of his salary or wages paid into the Fund whereupon the employing company contributes a like amount out of current or accumulated earnings or profits. Eligible participants can direct that all or part of their employing company's current contributions to the Provident Fund be invested in the common stock of the Company (the Shell Stock Fund). During 1972, such common stock investments, amounting to $29,005,000 represented 597,681 shares of which 583,300 shares were purchased on the New York Stock Exchange and 14,381 were shares transferred among individual accounts within the Shell Stock Fund. The Fund held 3,094,078 shares of the Company's common stock at the end of 1972 and 2,740,792 shares at December 31, 1971.

The aggregate cost to the Company and its principal subsidiary of the Shell Pension Plan, Supplemental Pension Plan and Shell Provident Fund was $58,398,000 for 1972 and $54,978,000 for 1971. The cost for the Shell Pension Plan includes an annual provision to fully amortize unfunded prior service cost of $54,351,000 by the end of 1995.

5. INCENTIVE COMPENSATION PLAN

Under the 1971 Incentive Compensation Plan, the Board of Directors may make incentive compensation awards to key employees (including officers and directors who are key employees) of the Company or of any of its wholly owned subsidiaries. These awards, in the aggregate, shall not exceed 2½ % of the amount by which the adjusted net income of the Company and consolidated subsidiary companies for the year (as defined in the Plan) shall exceed 6% of the capital employed by the Company and such subsidiary companies during that year (as so defined). The provision for awards, which is made and charged against income for the current year in anticipation of awards for such year to be made the following year, amounted to $1,400,000 in 1972 and $1,000,000 in 1971. Awards in 1972 to key employees totaled $1,108,000.

6. SUPPLEMENTARY STATEMENT OF INCOME INFORMATION

	Year	
	1972	1971
Charged to Costs and Expenses:		
Maintenance and repairs	$241,972,000	$238,842,000
Depreciation, depletion and amortization excluding retirements	397,597,000	389,801,000
Rents*	58,490,000	62,837,000
Research and development costs	60,090,000	51,676,000

*Does not include lease rentals paid on certain service station properties to the extent reduced by rentals of $53,648,000 in 1972 and $50,512,000 in 1971 received on sublease of such properties. Also excludes delay rentals paid to retain mineral rights in undeveloped leaseholds.

7. RECEIVABLES, PREPAYMENTS, ETC.

The receivables comprised trade accounts of $646,820,000 and miscellaneous accounts of $144,441,000 at December 31, 1972 and $556,777,000 and $58,230,000, respectively, at December 31, 1971. The allowance for doubtful accounts increased a net of $5,739,000 during 1972 and $1,787,000 in 1971 which included provision, charged to income, of $21,818,000 and $20,125,000 offset by write-off of $16,079,000 and $18,338,000, respectively, for uncollectible receivables less cash collections of receivables previously written off.

8. INVENTORIES OF OILS AND CHEMICALS

Inventories of oils and chemicals used in computing costs for 1972 and 1971 totaled $316,948,000 and $328,669,000 at December 31, 1972 and 1971, and $321,924,000 at January 1, 1971.

9. LONG TERM DEBT

Long term debt due after one year consisted of the following:

	December 31	
Shell Oil Company:	1972	1971
Non-interest bearing advances due 1973 through 1977	$ 39,701,000	$ 25,970,000
5% Notes Due 1980 (secured by purchase money mortgage)	16,750,000	16,750,000
4⅝ % Sinking Fund Debentures Due 1986, after deducting $7,188,000 and $9,916,000 principal amounts of debentures held in treasury at December 31, 1972 and 1971	155,000,000	165,000,000
4½ % Notes Due 1990	130,000,000	135,000,000
5% Debentures Due 1991	135,000,000	140,000,000
5.30% Debentures Due 1992, after deducting $5,070,000 and $5,045,000 principal amounts of debentures held in treasury at December 31, 1972 and 1971	139,930,000	144,955,000
8½ % Debentures Due 2000	150,000,000	150,000,000
7¼ % Debentures Due 2002	200,000,000	—
Shell Pipe Line Corporation:		
7½ % Guaranteed Sinking Fund Debentures Due 1999	60,000,000	60,000,000
	1,026,381,000	837,675,000
Less unamortized discount	812,000	892,000
Long term debt less unamortized discount	$1,025,569,000	$836,783,000

Of the foregoing long term debt due after one year from December 31, 1972, $28,930,000 principal amount will be due in 1974, $31,000,000 in 1975, $38,416,000 in 1976 and $51,285,000 in 1977.

10. PROPERTIES, PLANT AND EQUIPMENT

	1972 Capital Expenditures		Investment December 31, 1972			Investment December 31, 1971		
	Amount	%	Cost	Net	%	Cost	Net	%
			(Thousands of Dollars)					
Production Properties	$367,812	62	$3,159,200	$1,452,561	42	$2,977,063	$1,351,551	41
Oil Refineries	32,444	5	1,215,948	619,731	18	1,188,391	625,627	19
Chemical Plants	39,440	7	704,999	394,038	11	740,688	402,276	12
Marketing Facilities	92,576	16	947,044	688,508	20	879,554	639,442	20
Pipelines and Other Transportation Facilities	26,098	4	390,206	192,443	6	373,257	181,949	6
Miscellaneous Facilities	32,533	6	140,258	91,589	3	116,291	71,369	2
Total	$590,903	100	$6,557,655	$3,438,870	100	$6,275,244	$3,272,214	100

11. INCENTIVE STOCK OPTION PLANS

At December 31, 1972, 301,000 shares of the Company's authorized but unissued common stock were reserved under the Plans, adopted in 1965 and in 1971, for sale to key employees, of which 147,000 shares were available for future options under the 1971 Plan.

Prior to August 22, 1963, options were granted for terms not exceeding ten years at not less than 95% of the fair market value at the date of grant. Commencing August 22, 1963, options under the 1956 or 1965 Plans were granted at not less than the fair market value at the date of grant. Under the 1971 Incentive Stock Option Plan the Board of Directors may grant qualified or non-qualified options to key employees (including officers and directors who are key employees) of the Company or any of its wholly owned subsidiaries at not less than the fair market value of the stock at the date of grant.

Generally, options may not be exercised within eighteen months of issuance and expire not later than five years from the date of grant for qualified options granted after August 21, 1963 under any of the Plans and ten years for non-qualified options granted under the 1971 Plan. Non-qualified options issued under the 1971 Plan will not afford to optionees the special income tax advantages provided under the Internal Revenue Code of 1954 in the case of qualified options.

Qualified options granted under any of the Plans after August 21, 1963, are by their terms not exercisable until after certain earlier options have been exercised or the time for their exercise has expired, as provided in the Internal Revenue Code of 1954 with respect to qualified stock options.

Changes during 1972 in options outstanding were as follows:

	Shares Under Option		
	1956 Plan	1965 Plan	1971 Plan
Outstanding Jan. 1, 1972 (of which 107,000 were exercisable)	2,000	127,000	38,000
Granted at average price of $47.67 per share	—	—	15,000
Expired	—	(22,000)	—
Exercised at average price of $39.30 per share	(2,000)	(4,000)	—
Outstanding Dec. 31, 1972 (of which 126,000 were exercisable)	—	101,000	53,000

The 1956 Plan was terminated in 1965 and the 1965 Plan in 1971 without affecting outstanding options.

12. COMMITMENTS AND CONTINGENT LIABILITIES

Shell has noncancellable leases and other contractual commitments covering service stations, office space, tankers and other facilities. At December 31, 1972, the annual amounts equivalent to principal, interest, taxes, insurance and maintenance payable under such commitments totaled as follows: 1973 - $92,500,000; 1974 - $78,400,000; 1975 - $69,000,000; 1976 - $62,900,000; and 1977 - $52,500,000. For 1972 such amounts totaled $83,900,000. The present (discounted) value of all future amounts payable under such commitments, after excluding taxes, insurance and other amounts not constituting payments for property rights, approximated $381,559,000 at December 31, 1972. Most of the above service stations are subleased to others and the foregoing amounts are before deduction of rental income.

Subject to the terms of the agreement with Shell Canada Limited dated June 17, 1970, Shell committed itself to expend $225,000,000 Canadian, primarily over a term of 6½ years, for exploratory work on non-producing oil and gas interests in Canada and $25,000,000 Canadian, over a primary term of 10½ years, for research on methods of producing synthetic crude from non-producing interests in tar sands and heavy oil accumulations in Canada. At December 31, 1972, the commitment remaining under this agreement amounted to $141,226,000 Canadian.

Also, under long term agreements with certain pipe line companies in which stock interests are held, the Company may be required to advance funds against future transportation charges in the event such companies are unable to meet their financial obligations.

Shell has no commitments or contingent liabilities which, in the judgment of the Management, would result in losses which would materially affect its financial position.

OPINION OF INDEPENDENT ACCOUNTANTS

To the Shareholders of Shell Oil Company:

In our opinion, the accompanying statement of financial condition and the related statements of income and retained earnings and of changes in financial position present fairly the financial position of Shell Oil Company and consolidated subsidiary companies at December 31, 1972 and 1971 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

1200 Milam Street
Houston, Texas 77002
February 15, 1973

Ten Year Review of Financial Data

Dollars in thousands except per share amounts.		1972	1971
Revenues	Oil and gas		
	Refined products	$2,307,897	2,199,015
	Crude oil	$ 826,599	829,195
	Natural gas	$ 191,863	201,378
	Other operating revenue	$ 104,299	107,065
	Dividends, interest and other income	$ 27,139	27,994
	TOTAL	$3,457,797	3,364,647
	Chemical		
	Operating revenue	$ 645,240	555,720
	Dividends, interest and other income	$ 5,229	4,543
	TOTAL	$ 650,469	560,263
	Consumer excise and sales taxes	$ 741,570	698,865
	TOTAL REVENUES	$4,849,836	4,623,775
Costs and Expenses	Operating costs and expenses	$3,172,768	3,032,184
	Income, operating and consumer taxes	$ 960,360	888,566
	Depreciation, depletion, amortization and retirements, including dry holes	$ 396,805	410,535
	Interest and discount amortization on indebtedness	$ 59,423	47,986
	TOTAL COSTS AND EXPENSES	$4,589,356	4,379,271
Income and Dividends	Net income	$ 260,480	244,504
	Net income per share*	$ 3.86	3.63
	Cash dividends	$ 161,751	161,738
	Cash dividends per share	$ 2.40	2.40
	Funds provided from operations	$ 668,617	662,184
Financial Condition at Year End	Current assets	$1,596,095	1,234,414
	Current liabilities	$ 928,171	701,936
	WORKING CAPITAL	$ 667,924	532,478
	Properties, plant and equipment	$6,557,655	6,275,244
	Accumulated depreciation, depletion and amortization	$3,118,785	3,003,030
	NET PROPERTIES, PLANT AND EQUIPMENT	$3,438,870	3,272,214
	Total assets	$5,171,600	4,646,282
	Long term debt	$1,025,569	836,783
	Shareholders' investment	$2,924,968	2,826,003
	Shareholders' investment per share	$ 43.40	41.93
Capital Expenditures	Drilling and production (including dry holes)	$ 367,812	228,640
	Oil refineries	$ 32,444	38,923
	Chemical plants	$ 39,440	38,616
	Marketing facilities	$ 92,576	99,681
	Pipelines and other transportation facilities	$ 26,098	17,726
	Miscellaneous facilities	$ 32,533	26,924
	TOTAL	$ 590,903	450,510
Exploration, Production and Research Expenditures	Oil and gas leases	$ 153,062	17,765
	Producing wells and equipment	$ 157,191	133,179
	Natural gas processing plants	$ 6,513	23,046
	Dry holes	$ 51,046	54,650
	Geological, geophysical and land expenses	$ 85,720	83,429
	Lease rentals	$ 12,924	9,205
	TOTAL EXPLORATION AND PRODUCTION	$ 466,456	321,274
	Research expense	$ 60,090	51,676
Shareholders and Employees	Shares outstanding at year end (in thousands)	67,399	67,393
	Number of shareholders at year end	32,935	33,238
	Salaries, wages and employee benefits		
	Salaries and wages	$ 407,949	399,619
	Employee benefits (including vacation, holiday and sick pay)	$ 151,547	139,823
	TOTAL	$ 559,496	539,442
	Number of employees at year end	32,871	35,000

**Per weighted average share outstanding each year.*

Shell Oil Company and Subsidiary Companies

1970	1969	1968	1967	1966	1965	1964	1963
2,079,077	2,066,973	1,968,520	1,848,429	1,732,104	1,578,006	1,422,978	1,320,023
730,581	664,431	617,783	588,393	513,718	497,323	469,468	414,131
172,459	163,141	128,130	135,906	121,250	104,476	95,653	86,392
84,788	98,800	80,447	55,524	41,801	21,490	19,635	12,696
27,557	38,514	33,235	14,764	15,805	12,639	10,786	11,621
3,094,462	3,031,859	2,828,115	2,643,016	2,424,678	2,213,934	2,018,520	1,844,863
522,641	543,757	522,194	443,543	405,766	358,745	320,918	296,824
3,777	7,881	2,231	1,671	543	402	383	322
526,418	551,638	524,425	445,214	406,309	359,147	321,301	297,146
709,867	692,609	655,190	584,580	559,888	529,668	491,464	434,043
4,330,747	4,276,106	4,007,730	3,672,810	3,390,875	3,102,749	2,831,285	2,576,052
2,772,278	2,718,999	2,506,254	2,334,392	2,145,622	1,950,787	1,801,494	1,622,214
911,766	879,385	837,085	745,515	715,942	672,848	601,323	553,062
369,408	351,831	317,916	277,310	251,011	229,216	219,013	209,356
40,090	34,740	34,384	30,744	23,100	15,867	11,265	11,568
4,093,542	3,984,955	3,695,639	3,387,961	3,135,675	2,868,718	2,633,095	2,396,200
237,205	291,151	312,091	284,849	255,200	234,031	198,190	179,852
3.52	4.32	4.72	4.66	4.19	3.85	3.27	2.97
161,719	161,778	151,376	128,280	115,731	103,194	90,798	78,658
2.40	2.40	2.30	2.10	1.90	1.70	1.50	1.30
628,525	673,718	639,346	569,835	521,704	487,446	437,508	401,523
1,232,619	1,255,089	1,403,179	1,061,733	984,364	891,608	785,589	806,371
755,623	724,642	757,044	661,533	609,252	521,146	432,643	370,648
476,996	530,447	646,135	400,200	375,112	370,462	352,946	435,723
6,076,388	5,675,885	5,272,171	4,880,908	4,485,981	4,092,720	3,704,588	3,403,284
2,819,693	2,643,887	2,494,339	2,324,298	2,237,048	2,136,993	2,044,043	1,948,392
3,256,695	3,031,998	2,777,832	2,556,610	2,248,933	1,955,727	1,660,545	1,454,892
4,608,801	4,356,222	4,229,996	3,660,021	3,273,449	2,885,137	2,486,169	2,300,196
835,788	711,508	713,241	718,721	553,107	415,535	267,424	273,219
2,742,975	2,667,570	2,537,945	2,067,340	1,897,934	1,750,793	1,612,638	1,503,179
40.71	39.59	37.66	33.80	31.14	28.82	26.63	24.85
289,951	307,581	281,442	343,637	252,740	253,812	253,401	180,058
91,265	123,315	41,519	61,612	113,551	122,165	78,296	25,596
54,260	63,057	107,338	59,144	75,592	43,518	25,903	8,221
143,296	93,310	76,529	111,315	96,623	81,248	43,605	28,108
24,237	28,202	34,354	35,202	14,824	22,854	21,492	4,680
31,816	13,288	12,890	7,977	10,645	7,064	9,254	5,407
634,825	628,753	554,072	618,887	563,975	530,661	431,951	252,070
64,740	42,673	51,834	117,139	15,418	41,609	41,933	40,970
149,244	181,605	176,358	174,883	172,871	152,262	151,853	96,415
17,467	20,172	8,397	7,379	11,657	11,273	9,093	3,951
58,500	63,131	44,853	44,236	52,794	48,668	50,522	38,722
72,478	81,082	78,419	74,665	65,603	63,856	61,381	59,573
10,141	9,794	9,892	10,022	11,390	10,452	14,385	13,012
372,570	398,457	369,753	428,324	329,733	328,120	329,167	252,643
53,765	57,074	55,690	52,549	50,660	46,531	43,398	30,006
67,385	67,384	67,386	61,169	60,958	60,753	60,561	60,496
31,690	29,070	28,591	25,963	24,566	23,917	23,669	23,070
395,188	377,874	348,749	326,819	296,987	270,659	259,696	245,738
135,940	125,488	115,444	108,008	100,119	91,840	85,350	86,668
531,128	503,362	464,193	434,827	397,106	362,499	345,046	332,406
36,754	38,998	39,080	38,330	37,058	34,548	33,578	32,191

Ten Year Review of Operating Data

Barrels daily in thousands		1972	1971
Marketing	Refined products sold (barrels daily)		
	Gasolines	539	537
	Distillates	334	311
	Residuals	76	67
	All other products	119	105
	TOTAL	1,068	1,020
	Natural gas sold (million cubic feet daily)	2,598	2,715
	Bulk distributing plants (leased and owned)	225	312
	Service stations		
	Owned	3,000	3,000
	Leased	6,900	6,800
	Other	10,800	10,600
	TOTAL	20,700	20,400
Manufacturing	Refinery processing intakes (barrels daily)		
	Anacortes	84	90
	Houston	231	214
	Martinez	75	84
	Norco	234	208
	Odessa/Ciniza	48	46
	Wilmington	84	87
	Wood River	245	237
	TOTAL	1,001	966
	Manufacturing outturn (barrels daily)		
	Gasolines	496	497
	Distillates	282	253
	Residuals	70	70
	All other products	213	184
	TOTAL	1,061	1,004
Transportation	Trunk pipeline mileage—crude oil (incl. partially-owned)	6,949	7,247
	Trunk pipeline mileage—products (incl. partially-owned)	10,682	10,347
	Crude oil transported by pipelines (million barrel miles)	131,584	128,184
	Products transported by pipelines (million barrel miles)	51,424	46,067
Production	Crude oil and natural gas liquids produced (barrels daily)		
	Gross	739	731
	Net		
	California	78	74
	Louisiana	343	350
	Mississippi	7	9
	Montana	16	17
	New Mexico	11	12
	Oklahoma	10	11
	Texas	150	135
	Other	23	21
	TOTAL	638	629
	Natural gas liquids produced (incl. in above) (barrels daily)	85	79
	Gross natural gas produced (million cubic feet daily)	2,918	3,020
	Net natural gas produced (million cubic feet daily)	2,460	2,542
	Crude oil purchased (barrels daily)	1,032	1,007
	Crude oil sold (barrels daily)	646	646
Exploration and Drilling	Net acreage (in thousands)		
	United States		
	Producing	865	868
	Non-producing	14,516	14,276
	TOTAL	15,381	15,144
	Foreign		
	Non-producing	39,967	36,513
	Net wells drilled		
	Exploratory—oil and gas	30	11
	dry holes	53	63
	Development—oil and gas	394	330
	dry holes	36	45
	TOTAL	513	449
	Net oil and gas wells producing or capable of producing		
	Entire working interest	9,533	9,943
	Partial interest (net)	4,016	4,284
	TOTAL	13,549	14,227

1970	1969	1968	1967	1966	1965	1964	1963
518	515	491	454	424	394	370	335
302	305	289	285	267	254	227	212
92	93	91	89	83	89	83	80
93	95	95	93	98	93	84	78
1,005	1,008	966	921	872	830	764	705
2,738	2,654	2,315	2,122	1,897	1,661	1,565	1,429
363	516	591	624	707	703	701	699
2,500	2,500	2,100	2,200	1,600	1,400	1,400	1,300
8,000	8,400	9,300	9,400	10,100	10,100	9,900	9,400
10,600	11,100	11,700	12,100	12,300	13,100	13,000	12,800
21,100	22,000	23,100	23,700	24,000	24,600	24,300	23,500
86	89	90	83	79	74	72	55
164	162	157	152	145	144	141	146
94	91	79	71	39	37	41	44
208	201	192	178	156	141	122	118
44	46	42	39	40	37	27	—
84	96	98	95	92	92	91	89
232	216	201	202	202	194	193	193
912	901	859	820	753	719	687	645
458	458	432	402	360	343	326	301
246	243	240	229	222	213	196	193
91	90	87	74	64	70	71	69
143	120	115	119	112	108	104	91
938	911	874	824	758	734	697	654
7,226	7,130	6,938	6,457	6,432	6,460	6,421	6,128
8,732	8,514	8,453	7,781	7,821	7,361	7,040	6,302
126,029	111,909	108,382	109,951	104,715	100,770	98,837	96,836
46,001	44,465	39,718	39,086	35,239	31,434	26,943	26,033
688	626	607	589	543	493	466	452
77	82	80	72	69	65	64	63
304	261	250	240	208	187	170	156
12	12	8	6	6	6	6	7
18	18	20	22	22	21	23	23
13	14	14	14	16	15	13	13
11	12	13	14	15	15	15	15
139	129	123	121	113	101	95	93
21	20	24	25	25	21	21	24
595	548	532	514	474	431	407	394
68	63	58	54	52	47	42	42
3,027	2,975	2,636	2,453	2,180	1,926	1,821	1,656
2,548	2,490	2,201	2,046	1,834	1,626	1,559	1,413
936	952	910	875	797	789	753	677
614	599	577	561	505	493	459	408
857	862	854	855	897	860	844	723
11,512	14,153	14,182	10,918	9,983	11,405	14,702	15,066
12,369	15,015	15,036	11,773	10,880	12,265	15,546	15,789
36,311	—	—	—	—	—	—	—
32	15	17	27	39	35	52	32
90	226	122	109	122	104	142	108
359	353	569	541	534	413	732	479
73	104	80	54	77	126	83	88
554	698	788	731	772	678	1,009	707
10,148	10,389	10,428	10,477	10,655	11,036	11,185	11,060
3,913	4,066	3,993	3,990	3,939	3,634	3,514	3,092
14,061	14,455	14,421	14,467	14,594	14,670	14,699	14,152

HEAD OFFICE
One Shell Plaza, Houston, Texas

EXPLORATION AND PRODUCTION
● **Region Offices**
Southern—New Orleans, La.
Western—Houston, Tex.

MANUFACTURING
● **Refineries**
Anacortes—Anacortes, Wash.
Ciniza—Gallup, N.M.
Houston—Deer Park, Tex.
Martinez—Martinez, Calif.
Norco—Norco, La.
Odessa—Odessa, Tex.
Wilmington—Wilmington, Calif.
Wood River—Wood River, Ill.

TRANSPORTATION AND SUPPLIES
● **Operations Offices**
East of Rockies—Houston, Tex.
West of Rockies—Los Angeles, Calif.

Pipelines—including partially owned
▬ CRUDE
▬ PRODUCT
- - - L.P.G.

SHELL CHEMICAL
◉ **Division Offices**
Agricultural—San Ramon, Calif.
Industrial Chemicals—Houston, Tex.
Petrochemicals—Houston, Tex.
Polymers—Houston, Tex.

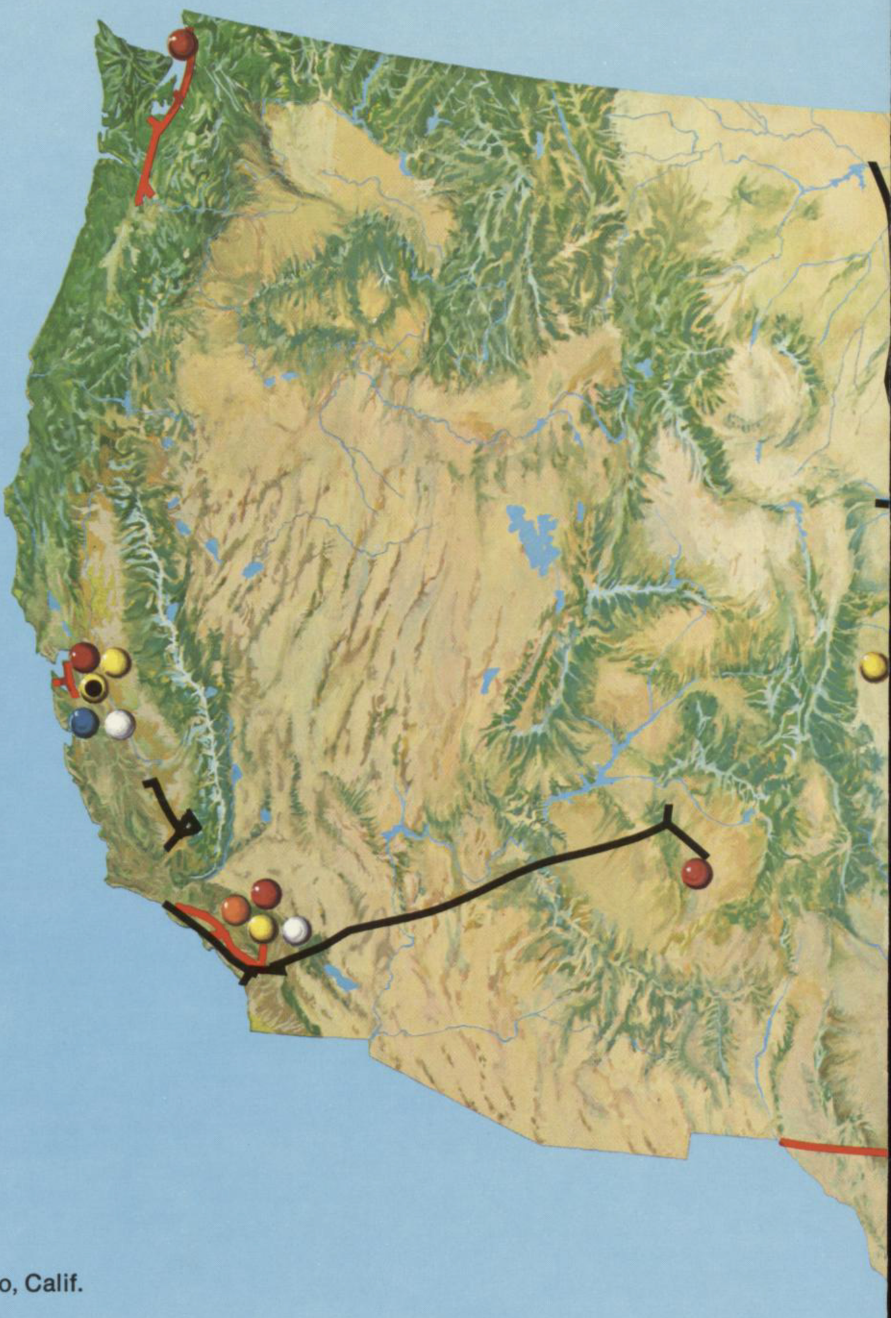
● **Plants**
Denver—Denver, Colo.
Dominguez—Wilmington, Calif.
Geismar—Geismar, La.
Houston—Deer Park, Tex.
Marietta—Belpre, Ohio
Martinez—Martinez, Calif.
Mobile—Axis, Ala.
Norco—Norco, La.
Princeton—Princeton, N.J.
Woodbury—Woodbury, N.J.

SHELL DEVELOPMENT
○ **Research Laboratories**
Bellaire Research Center—Houston, Tex.
Biological Sciences Research Center—Modesto, Calif.
Chemical Research Laboratory—Houston, Tex.
Elastomers Technical Center—Torrance, Calif.
MTM Research Laboratory—Houston, Tex.
MTM Research Laboratory—Wood River, Ill.
Plastics and Resins Technical Center—Woodbury, N.J.
Shell Pipe Line Research and Development Laboratory—Houston, Tex.

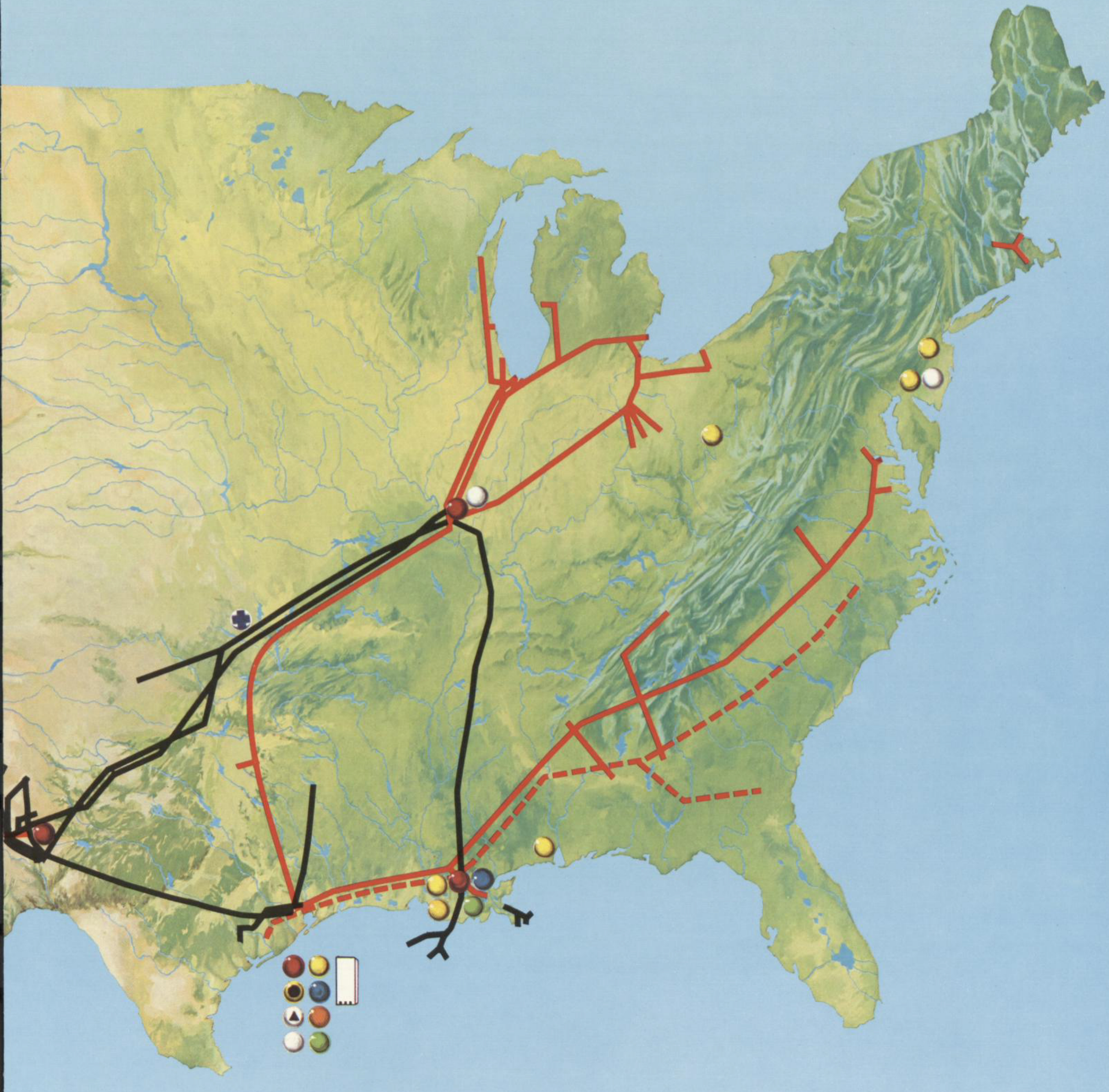
FINANCIAL
● **Data Service Centers**
Houston—Houston, Tex.
Menlo Park—Menlo Park, Calif.
New Orleans—New Orleans, La.

⊕ Credit Card Center—Tulsa, Okla.

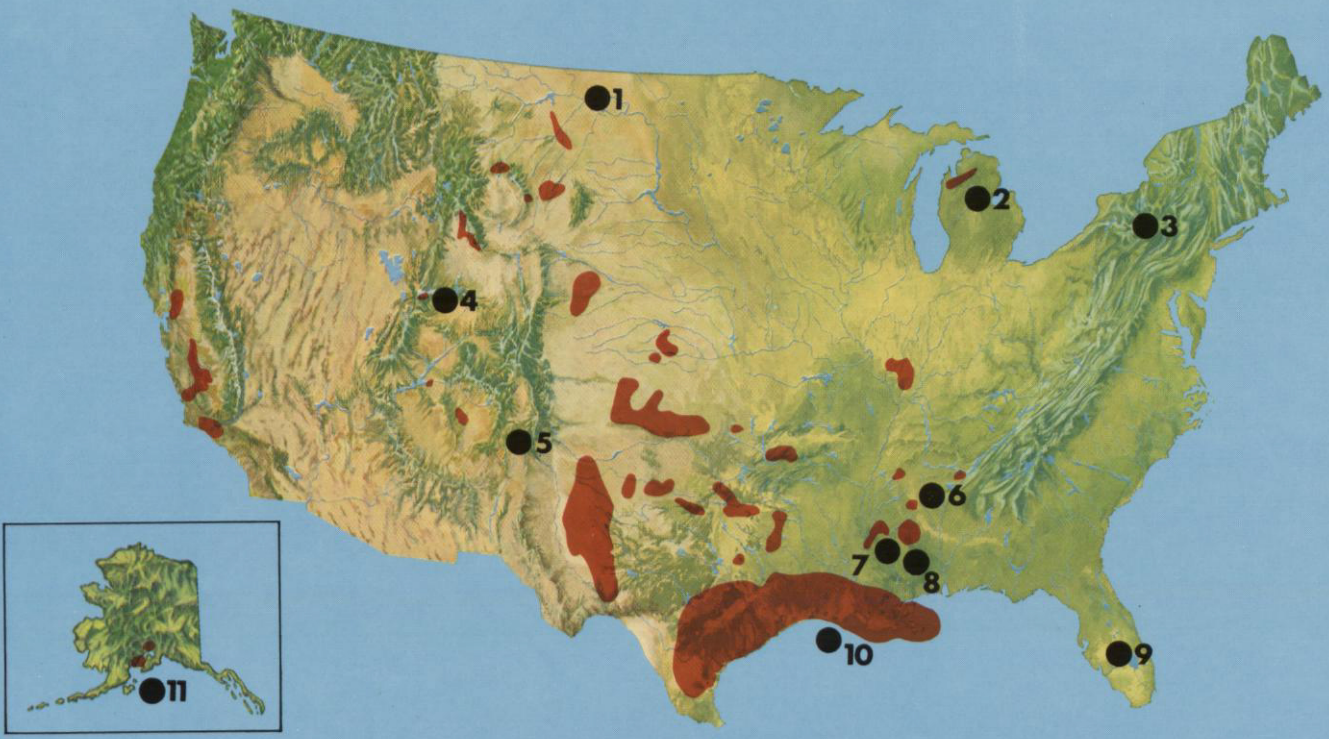
▲ Technical Computing Center—Houston, Tex.



Shell Oil Company Offices and Facilities



Exploration and Production



Producing Areas

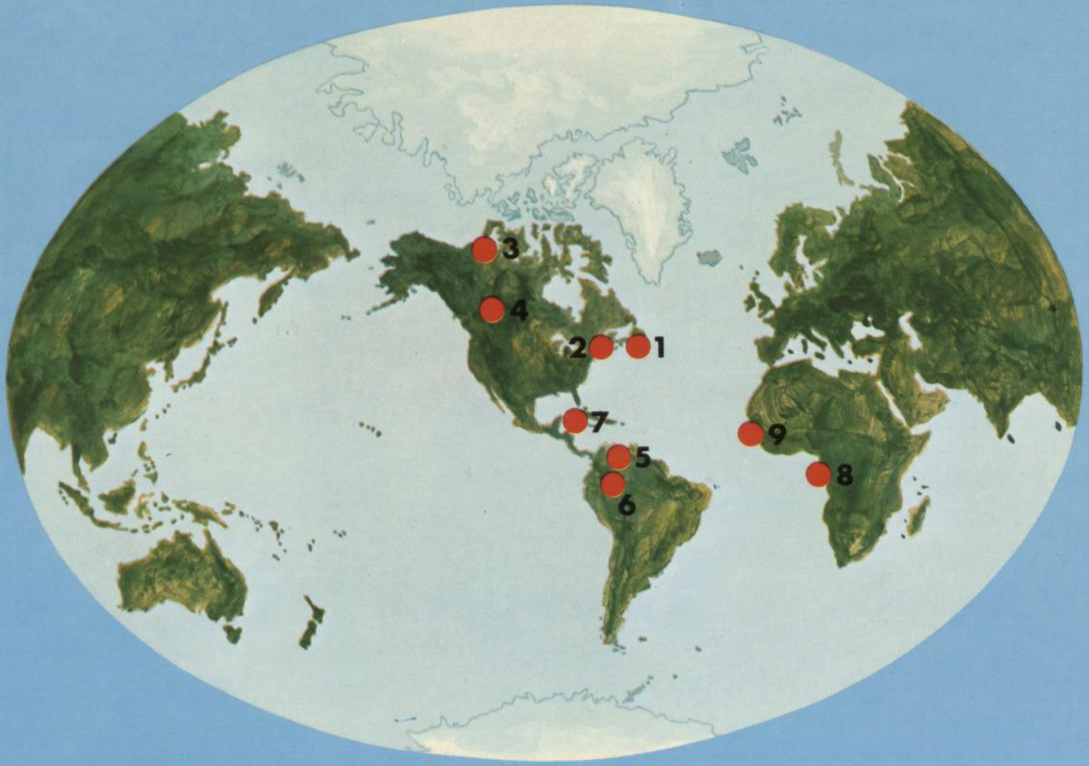
▬

● Domestic Exploration Areas

1. Williston Basin
2. Northern Michigan Basin
3. Northern Appalachian Region—Pennsylvania and New York
4. Uinta Basin—Utah
5. Albuquerque Basin—New Mexico
6. Warrior Basin—Western Alabama
7. Central Mississippi
8. Southeastern Mississippi
9. Central Florida
10. Offshore Louisiana
11. Gulf of Alaska

● International Exploration Areas

1. Offshore Nova Scotia
2. St. Lawrence Lowlands
3. Mackenzie Delta
4. Athabasca and Peace River Tar Sands
5. Eastern Colombia
6. East Central Peru
7. Offshore Honduras
8. Gabon
9. Senegal



Extensive work by seismic crews preceded the drilling of wildcat wells in the frozen tundra of the Mackenzie River Delta in Canada's Northwest Territories in the joint venture with Shell Canada.

Transfer Agents

Irving Trust Company, 1 Wall Street, New York, N. Y. 10015
The Bank of California National Association, 400 California Street, San Francisco, Calif. 94120
Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Ill. 60690
Montreal Trust Company
15 King St., West, Toronto 105, Ontario, Canada
P. O. Box 1900, Station "B", Montreal 110, Quebec, Canada
466 Howe St., Vancouver, B. C., Canada
Notice of change of shareholder's address should be sent to one of the above transfer agents.

Stock Exchange Listings

Midwest Stock Exchange, Chicago, Illinois
New York Stock Exchange, New York, New York
Pacific Coast Stock Exchange, San Francisco, California
Montreal Stock Exchange, Montreal, Quebec, Canada
The Toronto Stock Exchange, Toronto, Ontario, Canada
Vancouver Stock Exchange, Vancouver, B. C., Canada